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**THE EXTENT OF IMAGERY  
IN NEW ZEALAND COMPANY  
ANNUAL REPORTS**

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## ABSTRACT

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Imagery, and in particular photography, has become a regular and sometimes spectacular feature of company annual reports. From a broad perspective, photography can be seen to have a multiplicity of functions in society including the presentation of a factual, documentary view of the world, providing an interpretative art form, being used as advertising, and even being seen as pure entertainment. Photography can be seen to reflect the nature of society, while simultaneously altering and constructing society values.

As the New Zealand Government continues to advocate free-market policies, resulting in more and more decisions about the nature of New Zealand society being put into corporate hands, concerns are being voiced regarding the degree to which New Zealand citizens have a democratic vote on how their society is constructed. These concerns relate specifically to the nature of corporate values, and how they impact on New Zealand society. A logical place for a statement of corporate values to be found is the company annual report.

This study explores and investigates the use of imagery in company annual reports by using the imperatives contained in the political economy of accounting: be normative, be descriptive and be critical. Two questions are specifically addressed. Firstly, an empirical investigation is made of the extent to which imagery has been present in some New Zealand company annual reports for the period 1970 - 1997. Secondly, these annual reports are examined to determine whether, from the perspective of the researcher, company values that inspire and underlie company activities are reported by the use of imagery. In this way, imagery in annual reports may highlight a direct link between company values and social values in general.

This study is important in that if companies use imagery, and in particular photography, to report their company values it may contribute to further understanding of the constitutive nature of the company annual report from a broad societal perspective, rather than from that reflected only in the accounting and financial numbers. This also has consequences for the nature of the corporate social report, an area growing in importance in the accounting field. This study may also reveal previously unknown features regarding the role accounting plays when it attempts to represent some aspect of a company's activities.

**Key Words:** Annual Reports, Imagery, Corporate Social Report

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## SECTION ONE PROLOGUE

### CHAPTER ONE - INTRODUCTION

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#### 1.1 *Background*

"A portrait is not a likeness. The moment an emotion or fact is transformed into a photograph, it is no longer a fact, but an opinion...All photographs are accurate. None of them is the truth" (Avedon, cited in Bolton, 1989, p.264)

The potential of photography to make some valid social comment is discussed by Bolton (1989), where, although he states that photography is now a recognised discipline providing "practitioners and enthusiasts alike with inspiration and a sense of identity" (Bolton, 1989, p. ix), he still has some reservations about the assumptions made regarding the social function of photography. By using the above statement by the artist Richard Avedon, Bolton (1989) illustrates that there is an inevitable conflict central to any representation; "the clash between objective and subjective - between description and self-expression that haunts much documentary" (Bolton, 1989, p.264). Avedon had exhibited photographs purporting to represent "In the American West". The exhibition was an attempt to portray the social fabric of that area through photographic techniques that emphasise the ugliness and horror of poverty. The work, although celebrated, became, in Bolton's opinion, a "visual horror" which "goes hand in hand with voyeurism and fascination, and so seldom leads to understanding." (p.264) Thus, although Avedon avows it was not "the truth", and just an attempt at portraiture where he, as the photographer, controls the image, Bolton considers that this does not alleviate social responsibility. For, by making an attempt at social comment, whether it be "truthful" or not, Avedon is constructing and shaping attitudes towards the subject, in this case, poverty in the American West. In addition, Bolton suggests that this attempt at self-expression by a privileged photographer exploits, rather than highlights, the plight of another less-privileged class. This is done by selling these "artworks", as another choice in a "parade of upper-class commodities" (p.270), and "turning the subjects of the work into entertainment and consumerist frisson" (p.270). Bolton shows how Avedon (who is also a public relations consultant) puts Western poverty and alienation "to work for the economic system" (p.270), which inevitably contributes to (rather than changes) the same economic system that caused the poverty and alienation being portrayed. When one considers company annual reports, and the wide use of photography now seen to be contained in them, Bolton's comments raise a pertinent question. What is the function of photography (and other imagery) in an annual report?

Some indication of what the annual report itself represents to company management was shown recently at the "Annual Report Awards" given by the Institute of Chartered Accountants of New Zealand (ICANZ). A recipient of one award stated clearly what his company annual report was intended to portray:

Our marketing people when they go overseas use the company's annual report to help them sell our product. They use our annual report to show new customers that the company is of substance, is reputable, and is good to do long term business with. Cavalier excels in producing the best carpet in the world, and it helps us greatly to reinforce this by showing these potential overseas customers an annual report that also shows the same degree of excellence... The annual report is our main communication with shareholders, and it is a pleasure that we are able to reinforce the company's excellence in the annual report itself.

(Wayne Chung, Finance Director of Cavalier Corporation, 1998, p.7)

The above statement clearly shows that, for Cavalier Corporation, the annual report is intended to be a true reflection of company excellence, a true representation of its products to be used as a selling tool to existing and potential customers, and a true indication of company identity for its shareholders. For this company, the contents of the annual report (including the photographs) are undoubtedly a matter of fact.

Although Bolton doubts that there are any fundamental truths able to be represented by photography, as photos are only to do with "how people *look*", he adds that few people are unaware of "the prejudices of photographic representation" (p.265). Is it really all just a game, then, where, photographs in annual reports are shown tongue-in-cheek, where "everybody" knows that they are not there to represent facts, but mere appearance? Chung's comments do not indicate this. Thus, there is a dilemma in looking at the pictures in annual reports - the same dilemma that Bolton has described for photography: the conflict between description and self-expression. When questioning the function of the photographs and imagery in annual reports, one must decide whether they are there to represent fact or opinion.

This chapter not only introduces the notion of a photograph in annual report being represented as fact or opinion, but also introduces the structure of the study undertaken, and what it sets out to achieve. Underlying the focus of this study is the claim that, in order that some decision can be made regarding the facticity of the pictures and other imagery in an annual report, the company must first reveal its agenda, or its underlying value system. Thus some judgement is then able to be made of the intended function of

these pictures. For example, by the use of pictures in annual reports, or indeed, imagery of any kind, can one judge whether the company intends to show some concern as to the social consequences of its activities? This would be possible, for example, if the company declared its interest in ensuring that its products were meeting safety standards. If the company's intention was to ensure profits were maximised, then some judgement would be made of the likelihood that the company places more value upon the images rather than the lives and well-being of people pictured in annual reports. Is there evidence that pictures in annual reports of New Zealand companies exploit people (e.g. employees, or consumers) in the same way as Bolton (1989) has described? Is it possible that companies make social comment through imagery in their annual reports, and thus come to construct and shape attitudes about New Zealand societal values?

Arrow (1963) made the point that "in a capitalist democracy there are essentially two methods by which social choices can be made: voting, typically used to make "political" decisions, and the market mechanism, typically used to make "economic" decisions" (p.1). He also showed the difficulty in aggregating individual choices into a total concept of social welfare, which highlights the difficulty of any political body to serve the needs of society as a whole. In New Zealand there are growing concerns about the implications of the significant influence free-market policies have on the size and power of large companies within its economy. Harris & Twine (1998), for example, highlight their concern that, as the New Zealand Government is withdrawing its influence over many previously state controlled activities, more power is in the hands of large corporations which they believe would come to "dominate the economy and shape society as a whole" (p.213). They are also concerned about the perceived reduction of the democratic system. In an economy where there is a reduction in the power of the individual to display "political" choice by voting, (i.e. because the state's governance over economic welfare has reduced), it may eventuate that company shareholders and other stakeholders (e.g. consumers) are the ones who make "political" decisions, by exercising "economic" choice, e.g. by purchasing shares, and products. Such a democracy, of course, would assume that all stakeholders command the required economic resources in order to make this political/economic "vote" possible. In a consumer driven, democratic society, (rather than a state run society), this assumption is fundamental to the ability of corporations to provide social welfare, an assumption that drives the reasoning behind corporate social reporting and advertising. In New

Zealand it appears that this assumption may not be valid. There are wide gaps between those who have economic resources, and those that do not. Kelsey (1995) has identified several "deficits" in New Zealand society that are a result of liberal free market policies advocated by the incoming 4th Labour Government. These deficits are discussed under the headings of economic, social, democratic and cultural. Of particular relevance is the social deficit, which is characterised by "pain for the poor" and "gain for the rich", where "poverty, alienation and stratification along the lines of class, gender and race were intrinsic, and apparently acceptable, features of the new order" (Kelsey, 1995, p.296). Further, concerns exist that the concept of democracy (whether political or economic) in New Zealand is illusory:

Within our dual society we have established an underclass which no longer has a vested interest in democracy or in democratic institutions and as a consequence we should not be surprised if those ostracised from the mainstream of New Zealand life willingly promote its destruction. (Shirley, cited in Kelsey, 1995, p.296)

It thus becomes important to see if companies represent values that apply to society as a whole, or just one perhaps privileged part thereof. When looking at the role that companies play in contributing to social welfare it also becomes increasingly important that it is known what type of social values or agendas the company sanctions, or whether they are, for example, merely profit oriented rather than community oriented. Companies may declare these values by making explicit social comment, in order that company stakeholders may decide whether the company values are socially and politically appropriate. Voting choices can then be made in the market. Alternatively, companies may declare these values in order to justify and legitimise their activities to the whole of society. A likely place for this declaration to appear, regardless of its intent, is the annual report.

## **1.2 Research Problem**

Consequently, the research problem addressed here is to examine whether New Zealand companies report through the use of imagery in their annual reports, company values that inspire and underlie their activities for the year. This would include the incidence of social comment, via imagery, that could be seen to represent some economical, political, or social stance, which then may attempt to shape and construct social values. There are many questions which arise from this problem. This study focuses on only two questions, namely, to what extent is imagery used in New Zealand company annual reports; and, to what

extent do New Zealand companies reveal their values through the use of imagery. If a major proportion of the annual report consists of imagery, then this would suggest that a company considers this form of disclosure important in some way, and further, an examination of what the company is representing through the use of imagery will enable an increased understanding of New Zealand company reporting practices through this medium.

### 1.3 *Research Methodology*

'...to justify its existence, a criticism should be partial, passionate and political... written from an exclusive point of view, but a point of view that opens up the widest horizons...'

'I sincerely believe that the best criticism is that which is both amusing and poetic: not a cold, mathematical criticism which, on the pretext of explaining everything, has neither love nor hate, and voluntarily strips itself from every shred of temperament...'  
(Baudelaire, *The Salon of 1846*, p.44.)

So says French poet Charles Baudelaire in an essay on art critique titled "What is the Good of Criticism?" Alternatively, criticism is seen by Foster (1985) not as a judgement according to pre-set subjective tastes or norms, which he sees resulting in criticism (especially of art) becoming an opinion which is traded as a consumable item, and thus capitulating to the market for art items. Criticism, rather, should be from the fringe, "suspended between inchoate amateurism and socially marginal professionalism", and "must use this out-of-placeness to speak precisely, impertinently out of place" (Foster, 1985, p.5). The end result of such a criticism is seen to be a transformation not only of the subject material, but also of previous practices of criticism. This, ultimately, "opens up the widest horizons" of not only ways of thinking, but knowledge itself, and, as described by both Baudelaire and Foster above, appears to be the whole point of a criticism.

These two descriptions of criticism serve to introduce the approach taken in this study. There has been in the past much debate about alternative approaches to accounting research (refer, for example, to Tomkins & Groves, 1983; Abdel-Khalik & Ajinkya, 1983; Willmott, 1983; Chua, 1986). Tomkins & Groves (1983), for example, emphasise the importance of identifying, and critically reflecting upon, the ontological assumptions behind any particular piece of research, which results in a decision regarding the appropriate research methodology to be used. Willmott (1983), however, demonstrates that the problem with all types of research, whether naturalistic or scientific, is that they are "both inattentive to the *a priori* constitution of

the objects of analysis within the primary, pre-scientific life-world" (Willmott, 1983, p.402). Put simply, it means that in any type of research there is the problem of individual value judgements being present.

The merits of criticism involving partial value judgements are echoed in an alternative approach to researching accounting reports suggested by Cooper & Sherer (1984). These authors find that when attempting to assess the social value of accounting reports, a distinct shareholder orientation occurs under a marginal economics perspective. They are concerned that this perspective "has limited the development of research about how accounting systems operate and for designing corporate annual reports which may lead to a fundamental improvement in social welfare" (p.610). They are also concerned that since accounting reports seem only to serve one group or class in society (i.e. shareholders), the interests of society of a whole are not being served by previous approaches to research of accounting reports. They further highlight the difficulties in reporting for different user groups, and that a lack of theoretical base about how these different users interact in the political and economic spheres means that it is impossible to assess the economy-wide value of these reports. (p.614). Since social welfare, however, "is recognised as being consistently partial" (p.611), they recognise that previous approaches may not be suitable or appropriate. They suggest an alternative approach for valuing accounting reports titled "the Political Economy of Accounting (PEA)" (p.620), which recognises the partial, political, and socio-economic aspects of accounting and reporting.

Cooper & Sherer (1984) describe three features of this approach. One is that it requires recognition of the influence of accounting reports on the distribution of income, wealth and power in society, and it also requires some acknowledgement of the possibility that accounting reports serve "specific interests (e.g. of elites or classes)" (p.621). Another feature of PEA is that, rather than harmony of interests prevailing, it recognises that these "specific interests" operate in an environment that is full of contradictions and conflict. Cooper & Sherer (1984) use the example of the Government which utilises taxation to fund its level of spending, while on the other hand being actively involved on behalf of large firms and commercial interests. Conflict arises where the state is obliged to regulate large monopolistic and oligopolistic profits (p. 621). In relation to the social value of accounting reports, there needs to be careful consideration of the motivations behind state intervention in the development of accounting practices. The third feature of PEA that Cooper

& Sherer (1984) emphasise is that "self-interest" may not be an unalterable characteristic of people, rather it may be the consequence of how society (and accounting) is organised. There needs to be recognition that firms acting in a socially responsible manner may be genuinely concerned about social welfare, rather than using it to enhance their image in order to increase profits, yet, by ignoring externalities (social costs), "accounting for corporate activities may encourage self-interest at the expense of social interests" (p.622).

Tinker, Merino & Neimark (1982) have shown that, particularly for positive accounting theories, there is a distinct normative origin in any theory which cannot be value free. They show that positive accounting theories assume that one can extend knowledge gained from "what is" questions, to solve "what should be" questions. This would involve inference from experience, something which is not acceptable to positivist thought. Thus positive accounting theories are held by them to be epistemologically erroneous. Cooper & Sherer (1984) suggest that, in order for accounting research to be more "valuable", there should be three imperatives: "be normative, be descriptive, and be critical" (Cooper & Sherer, 1984, p.622). By being normative, an explicit value judgement is required regarding the assumptions or purposes of the research (i.e. this seems to refer to the definition of a criticism by Baudelaire: rejecting a "cold, mathematical point of view"..., and openly admitting 'exclusivity'). Cooper & Sherer (1984) consider that this facilitates coherence, and places individual research within the context of a particular paradigm (p.623). By being descriptive, the interrelationship between facts and interpretations are acknowledged. Cooper & Sherer (1984) explain this by stating further that "a political economy of accounting needs to be based on descriptions of accounting practice based on alternative theories of society and accounting's role therein" (p.624). By being critical, an evaluation is required, which "starts from the premise that problems in accounting are potentially problems in and of society" (p.625). An evaluation is required also of "what is and what is not in the public interest" (p.625).

These imperatives thus address the inadequacies of accounting theories brought to light by Tinker, Merino and Neimark (1982). By making an initial statement of "what should be", then going ahead and discovering "what is", makes possible an informed base from which to make a critical assessment of "what is" in relation to "what should be". The limitation of this approach to research, then, is made clear from the start, and stems from the initial value judgement, which ultimately is only a matter of opinion, or "faith" (refer

Ferguson, 1969, cited in Tinker, 1980, p.153; and Cooper, 1980, p.165). No claim is made of neutrality or objectivity on the part of the researcher, and in this way the epistemological inadequacy of positivist thought highlighted by Tinker et al. (1980) is addressed. Cooper & Sherer (1984) suggest several areas of research which might be undertaken within PEA, one of which seems to be relevant to the aim of this research, namely, "the role and forms of accounting within alternative definitions of social welfare" (p.629).

The PEA approach thus seems an acceptable methodology to use for a study which examines the use of imagery in company annual reports. Each of the three imperatives described by Cooper and Sherer (1984) will be addressed by this study, and are related to the research problem and the two identified research questions as follows:

*"Be normative"*. The normative stance taken in this study, is that New Zealand companies should report in their annual report on the company values that inspire and underlie their activities for the year. This stance rejects the notion that valuable research can be undertaken assuming "a passive acceptance of the existing social and political context of corporate reporting" (Cooper & Sherer, 1984, p.610) on the part of the researcher. Cooper & Sherer (1984) discuss how PEA can show that this assumption is implicit in much existing accounting research. Examining New Zealand company annual reports from this initial overriding value judgement not only concurs with the PEA structure, but also hopes to highlight possible deficiencies in the assumption of some accounting research that passively accepts (or even ignores) the political and social context of company annual reports. The normative stance taken here also encourages the search for some indication of the reporting of social accountability on behalf of companies, an issue which is consistent with the normative stance contained in corporate social reporting described by Gray, Owen & Maunders (1987).

*"Be descriptive"*. This imperative is addressed by the first research question identified. An empirical examination is undertaken in order that questions regarding "what is" are addressed in relation to the extent to which imagery is used in company annual reports. This part of the study concentrates on providing a comprehensive database from which to make an assessment of the interrelationship between "what is" and "what should be". Although the role of accounting traditionally embraces the financial section of an annual report, this aspect of the study incorporates what Cooper and Sherer (1984) describe as an alternative view of the role of accounting within society as a whole. This part of the study expects to find that imagery

represents an increasing proportion of a company's annual report area over the period under review. If this is so, this has implications for the role of accounting in preparation of future company annual reports, since traditionally, accounting has been concerned only with the numerical. There are alternative roles for accounting in an environment with a reduced emphasis on numbers, for example, one which involves corporate social reporting, and this aspect is discussed further in Chapter Three.

*"Be critical"* This imperative is addressed by the second research question. An extensive analysis is undertaken which looks critically at the representations made by the company through the use of imagery, to see whether this is a medium that companies use to represent their company values. A model is developed, based on Image Theory (Beach, 1990), which provides a structure from which to categorise and assess the images found in company annual reports. This part of the analysis openly admits the limiting factor of the normative stance of the researcher, in that it is held that companies should be reporting values via the medium of images. This results in a dialogue, in which many aspects of company representations through imagery are expected to be revealed, but the study will focus on whether companies report their values in order to facilitate some improvement of social welfare in general, rather than the welfare of some privileged "elite". This is consistent with the premise stated by Cooper & Sherer (1984) that an evaluation is required of "what is and what is not in the public interest" (p. 625). In this way, some link is expected to be identified between company values, and those of society as a whole.

#### **1.4 Contribution to Knowledge**

There is a recognised gap in knowledge in that studies of the use of imagery in company reports are rare (Preston, Wright & Young, 1996). In New Zealand, it appears that research into annual report imagery is non-existent, except for a few articles on company annual reporting in general (refer Clulee, 1988; Macalister, 1994; Gore, 1998). However, by placing this study into a social reporting context, it is hoped to contribute to both the growing corporate social reporting literature in New Zealand, as well as identify the use of imagery in company reports as a possible fruitful area of research in its own right. By "looking at the pictures" it is hoped to show the deficiencies in the ability of accounting numbers to represent certain aspects of company activities. As previously explained, in order that political, social, and economic choices may be made by all stakeholders in the company, imagery can be an important source of information about

company values, and may directly reflect the political, social, and economic influence of corporations in New Zealand society. This information is not available from financial accounting numbers. The study of how imagery can contribute to a corporate social report could be significant to future directions in company reporting because it may reveal not only previously unknown features regarding the role accounting plays when it attempts to represent some aspect of a company's activities, but also call into question the relevance and contribution of financial accounting theory to company annual reports.

### **1.5 Chapter Outline**

The remainder of this thesis is organised as follows. Section Two discusses issues highlighted by a literature review which are categorised based on the underlying decision one must take when looking at photography, or, it is assumed, any type of imagery. That is, one must decide whether it is fact or opinion. Thus the first three chapters in Section Two discuss issues that reflect the assumption that imagery is represented as fact. After first briefly describing the history, and definitions of imagery, Chapter Two highlights and discusses complex issues such as the ability of any imagery to reflect facts, the conflict of art and representation, and, reality and appearance. The discussion also includes a brief overview of the assumptions made under neo-classical economic theory specifically regarding the function of financial accounting disclosures. Chapter Three outlines the assumptions underlying the function of corporate social reporting and how they came to be developed. The nature of financial and social reporting is such that they are both assumed to be factual. Financial accounting disclosures are required by legislation to be audited to ensure their facticity. Corporate social reports are not statutorily required to be audited. While corporate social reports can be viewed as subjective statements of company activities, and not necessarily a factual representation, what is important is that they are intended to be a factual representation, which, from the company's point of view reflects society's requirements. Thus they are included as aspects of factual disclosure.

The next two chapters in Section Two focus on issues that assume imagery in annual reports is opinion. This aspect commences with Chapter Four which discusses the notion that images are advertising, as well as the issue of constructing and maintaining corporate identity, described by Preston et al. (1996) as

“impression management”. The potential of the image to persuade, rather than inform is discussed. In addition, the concept that images provide an opportunity for the company to obscure certain activities and thus maintain ignorance, is introduced in Chapter Five. This section is organised in this way in order that a clear picture may emerge regarding the existing literature on the possible functions of the use of imagery in company annual reports.

Section Three concentrates on data, method, and results. The method by which data was collected is explained in Chapter Six, followed by the results in Chapter Seven. This chapter includes the analysis of the results of both the descriptive and critical aspects of the study. Chapter Eight contains some conclusions, and implications for future research.

## SECTION TWO LITERATURE REVIEW

### CHAPTER TWO - DISCLOSURE ISSUES

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#### 2.1 *Historical Background*

'All sounds, all colours, all forms, either because of their preordained energies, or because of long association, evoke indefinable and yet precise emotions, or, as I prefer to think, call down among us certain disembodied powers, whose footsteps over our hearts we call emotions;...

The same relation exists between all portions of every work of art, whether it be an epic or a song, and the more perfect it is, the more various and numerous the elements that have flowed into its perfection, the more powerful will be the emotion, the power, the god it calls among us.

...poets and painters and musicians are continually making and unmaking mankind.

...for does not the eye altering alter all?'  
(Yeats, 1961, pp. 157 -159)

The Aristotelian view of pictures was that "pictures can be true insofar as they are more or less correct resemblances corresponding to visual facts" ; or, "pictures reveal the true or genuine being of what they depict" (Brann, 1991, p.400). Brann concluded that Aristotle believed that pictures have a "truth value". This contrasts markedly with the view of Plato that "paintings are twice removed from truth, for they are not only imitations, they are imitations of imitations" (Brann, 1991, p.38). The complex beginning of all Platonic philosophy involves "the ability to recognise images as images, to distinguish between copy and genuine original" (Brann, 1991, p.37). This idea relates not to art, but to knowledge, and how it is to be expressed. The attempt to image the intellect was regarded by Plato as a "higher" function of the image e.g. mathematical diagrams. The "lower" functions relate to opinion, and sensation, and are thus deemed artificial. In his work *The Sophist* (written 4th century BC), Plato distinguished two kinds of artificial image: the "iconic" image, where although it is not the original, the image is at least a correct copy; and the "phantastic" image, which is a copy based on an illusion, something less than the original. An example of this was a painting, which was said to appeal to the lowest part of the soul, and given to "silly sentiment and dangerous excitation" (Brann, 1991, p.39). In the Platonic era, poets and painters were deemed corrupt because of their concern with the creative imagination, which Plato thought was just a practice of deceit.

Images were acceptable, however, in the interests of instruction, and this was the task assigned to the visual arts by the Christian Church in the Middle Ages to avoid the charge of idolatry (Gombrich, 1990, p.31). Pictures were considered appropriate replacements for words, in order that those that could not read would understand. Thus, the word “imagery” (or “ymagery”) was used up until the eighteenth century to designate and describe the pictures describing historical events found in tapestries and paintings (Furbank, 1970, p.25).

By the eighteenth century, however, the word “image” was defined in dictionaries in two ways:

“a representation or a likeness of a thing, either natural or artificial; a statue or a picture”, or, “a feature of rhetoric”, i.e. a persuasive device to convince the reader that he is actually witnessing the scene or action being represented (Furbank, 1970, p.26).

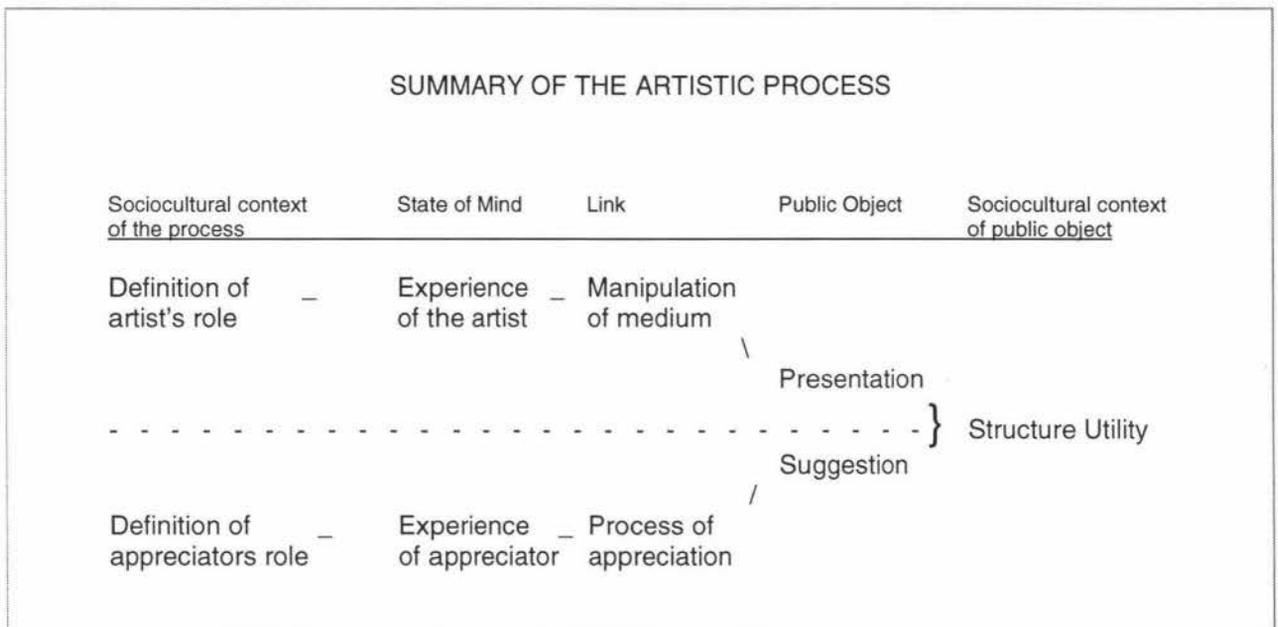
A more contemporary dictionary defines “image” similarly, but includes a reference to “character or reputation of a person or thing as generally perceived”, “a mental representation”, and references to literary use, such as metaphor and simile. “Imagery” is defined as “images collectively” (Concise Oxford Dictionary, 1997, p.677).

For the purposes of this study, “imagery” in company annual reports will be taken to mean the collective use of pictorial images such as photography, artwork, graphics, (including graphs) and design features such as the layout of such images. Using the above definitions, imagery found in company annual reports can be seen as an attempt to represent either the company as if one was “there”, (i.e. the reality of the scene), or the “character” or “reputation” of the company (i.e. the appearance of the scene). Yeats’ (1961) emotion and power “called upon us” features here in an indirect sense, in that, if all pictures move us in particular ways, then the persuasive power of these pictures becomes evident. Thus, the use of imagery by a company could also be understood to be of a rhetorical or persuasive nature with regard to a company’s “reality” or “reputation”.

## 2.2 Art and Representation: Social Functions, and Disclosure Issues

The connection between art and representation has always been a matter of debate. Art has been described as having two basic aspects: "its aesthetic or presentational context comprised of form and skill, and embodying style; and its meaning context comprised of subject and symbolic associations" (Sieber, 1971, p.203). The process of art is separated by Mills (1971) in a similar manner, as indicated by the following diagram:

Fig. 1 Summary of the artistic process



(Mills, 1971, p.68)

This diagram highlights the complex nature of the relationship between construction of an artwork and its impact. Representation is therefore not only a matter of the artist's creative skill with form and style, but also a matter of interpretation by the appreciator (or audience). Thus the artist may control the medium and style, but does not necessarily have any say in what the audience's interpretation might be, or indeed, on who that audience might be. Further, although Sieber (1971) suggests that the arts are "symptomatic of cultural values, and are for the most part oriented ...towards man's search for a secure and ordered existence" (p.205), Foster (1985) suggests that the function of art has changed, and that art is a political practice (to which category it is argued here that imagery in annual reports belongs) and cannot be a simple representation of reality. This is because "such art tends to represent social practices as a matter of

iconic ideals" (Foster, 1985, p.155). Thus art has an ideological function, seeking to persuade its audience as to the universality of its message.

Mills (1971) suggested that the importance of art is reflected by the amount of trouble taken to alter one's surroundings, especially by embellishment or decoration: "(w)hen one considers the cost of the decoration, it appears that what is added is as important as the original object, so that the separation of creation and decoration is arbitrary" (Mills, 1971, p.75). Questions arise, then, as to the validity and credibility of the representation of the original object, especially when, due to the costs involved, the artist has a vested interest in ensuring the representation is possibly subservient to some pre-set, socially acceptable, standard of consistency with the original. Questions as to costs, audience and reality subsequently arise, and these will now be discussed in relation to the annual report.

### **2.3 *Imagery in Annual Reports: Questions regarding Costs, Audience and Reality***

#### **2.3.1 *The Question of Costs***

In 1984, the H.J. Heinz Company produced an annual report that has been described as a "tomato celebration" (Squiers, 1989, p.207). It contained ninety-six thick, glossy pages of extensive, extravagant, art and photographic work, which cost the company over US\$8.00 per copy. Average finished report costs in the US range from US\$250,000 to US\$800,000, with some costing more than US\$1 million (Squiers, 1989, pp.207-208).

In Australia, Western Mining reportedly pays more than A\$310,000 annually for its annual reports, and, for the average Australian company in 1997, "a 72-page annual report generally costs about A\$5 - \$7 per copy for a medium-sized firm with 50,000 shareholders, but can be up to \$20 a copy for a small firm without the economies of scale" (Simpson, 1997, p.16). A small sample of New Zealand companies paid NZ\$6 - \$8 per copy for their annual reports in 1988, amounting to an average photography and art cost of just under NZ\$110,000 (Clulee, 1988, p.31).

However, in a recent study of US, Australia and NZ company investors, it was found that the Chairman's "essay" and pictorials (by definition, imagery) were found to be ranked low in terms of readership and usefulness generally, but ranked high in terms of understandability. The low ranking for imagery in annual reports is not attributed to lack of understanding, rather, it is attributed to the lack of credibility to shareholders (Anderson & Epstein, 1996, p.56). Further, Squiers (1989, p.216) described the pictures in annual reports as "a vehicle of extremely limited expressive and informational power, meant primarily to reassure stockholders". Why do companies annually spend large amounts of money to produce beautifully designed photographs and artwork in their annual reports, when investors either do not look at this imagery, or find it useless, limited in expression of information, and lacking in credibility? One suggestion could be that it is because of the diverse nature of the intended audience of the annual report that justifies this company expenditure, and this is discussed in the following section.

### **2.3.2** *The Question of Audience*

Although some of the above figures may be outdated, they still demonstrate that production costs for artistic and photographic imagery in annual reports of US, Australia and NZ companies are significantly high enough to assume that, even though this imagery may lack credibility, the companies involved find its expense justified in some way. It appears that, with reference to the definitions made earlier, the imagery in an annual report can be regarded as a persuasive device, or a reassurance, as to the good character or reputation of the company, or a public relations exercise. Squiers (1989, p.215) supports this view by stating "(n)o matter how bad the circumstances, the annual's (sic) job is to minimise the negative, and maximise the positive". Squiers (1989, p.208) also says that "it's one time when a corporation can tell its own version of reality with no pesty journalists or unfriendly outsiders interpreting the information". If the pictures in an annual report are for the benefit of shareholders, this "version of reality" can be seen as an exercise in narcissism, keeping information in-house, and preaching self-congratulatory nuances to the "converted" shareholders.

It seems somewhat puzzling to regard the large amount of time, effort and money that has gone into production of the photographic and artistic portion of the annual report, as simply a self-congratulatory

device or a public relations exercise aimed exclusively at existing or potential investors/shareholders, as one recent study has found that investors do not find this part of the annual report useful (Anderson & Epstein, 1996). It must be safe to assume, then, that this pictorial section of the annual report is aimed at a wider audience of potential users rather than just the shareholder. Preston, Wright and Young (1996, p.114) suggest that "executives use them as calling cards, salesman as credentials (and) personnel use them as recruiting tools", and that it is the growing emergence of a "consumer culture" that explains the expansion of the annual report from a mere statutory document, to a "concept document" aimed at suppliers, employees and consumers.

The annual report has also been described as "a vital instrument designed - ideally - to tell the story of a company, its objectives, where the company succeeded or failed, and what the company intends to do next year" (Simpson, 1997, p.16). Australian company Western Mining has been reported as "trying to show more and more of the total picture", being more "transparent and open" (Simpson, 1997, p.16). The annual report has even been described as an attempt to be "all things to all people" (Simpson, 1997, p.17).

Squiers (1989) questions how the annual report can possibly function as a public relations tool and a sales tool both inside and outside the company, and finds that it is the use of a design concept that tends to satisfy this "tremendously disparate audience" (p.208). She defines a design concept as: "the ability to convert problems into images of solution and to make corporate success look honest, hard won, and well deserved" (p.209).

Use of design concepts such as Heinz's 1984 "tomato celebration" cited by Squiers (1989) is a relatively recent phenomenon. Preston et al. (1996, p.113) state that the first annual report to use a design concept was Litton Industries in 1959. Before this time, photography and artwork had been used, but only in a "documentary style", where "images related in some obvious and direct way to the nature of the product or business in which the company was involved" (p.113). They further explain that, since then, imagery in annual reports has developed to embrace features of the contemporary artworld, and it is now recognised that "annual reports are visual mediums through which corporations.... attempt to represent and... constitute themselves" (Preston et al. ,1996, p.115). Thus the annual report would appear to be on version

of reality amongst an certain array of choices. The power of the image to present varying versions of reality will now be discussed in relation to the annual report.

### 2.3.3 *The Question of Reality*

The place financial accounting (and this includes the annual report) holds in not only communicating reality, but also constructing reality, has been well discussed by Hines (1988), and Morgan (1988). Hines (1988) uniquely illustrates the constitutive power wielded by accountants in being able to present an organisation in certain way: "There is no full picture. We make the picture. That is what gives us our power: *people think and act on the basis of that picture!*" (Hines, 1988, p.254, emphasis in original). Here, the term "picture" is presumed to mean the representation of the financial results of the company, rather than any imagery content. However, by using this very word, Hines further illustrates the responsibility of the accountant in determining possible "images" of the organisation presented to its various stakeholders. Morgan (1988) further highlights the ability of financial accounts to contribute to a partial view of the world, because accountants are "subjective "constructors of reality": presenting and representing the situations in limited and one-sided ways" ..... "exactly as an artist is obliged to produce a partial view of the reality he or she wishes to represent" (Morgan, 1988, p.477). Viewing the accountant as "artist" is a means of developing a sensitivity to the "many dimensions of the realities (accountants) are attempting to account for" (p.484); but he warns that "whatever scheme they use should be sensitive to the elements of reality *excluded* by the scheme, as to those elements that are included" (Morgan, 1988, p.484, emphasis in original). By extending these comments to the use of imagery in annual reports it can be seen that imagery may be a scheme by which an alternate reality, or a formerly *excluded* reality may become evident.

### 2.3.4 Linking Imagery and Reality

In concluding their article Preston et al. (1996) use the successive phases of the image as described by Baudrillard (1983) to clarify their approach to the topic. These phases show how intertwined the image is with views of reality and are described by Baudrillard (1983) as a "succession", because the image can be seen as a "transition from signs which dissimulate something to signs which dissimulate that there is nothing" (p.12).

"...the image:

- it is the reflection of a basic reality
- it masks and perverts a basic reality
- it masks the *absence* of a basic reality
- it bears no relation to any reality whatever: it is its own pure simulacrum"

(Baudrillard, 1983, p.11)

("Simulacrum": "an image of something, mere pretence" , (Concise Oxford Dictionary, 1997, p.1294))

The two eighteenth century ways of defining the "image" can be seen to correspond to Baudrillard's first two phases of the image. These two phases present opposing views: either reflecting a basic reality, or not reflecting a basic reality. Baudrillard describes the first phase of the image as "good", and the second as "evil", and calls these phases "a theology of truth and secrecy" (Baudrillard, 1983, p.12). These phases also reflect the empirical assumptions regarding reality that date back to the Enlightenment: i.e. it exists, and "should be described in a manner which was clear, precise, testable and veridical" (Walters-York, 1996, p.47).

Baudrillard's final two phases of the image question the existence of any basic reality. In these two phases, reality can be seen, perhaps, from a more "post-modern" viewpoint. Traditional empirical approaches to the image, based on the existence of a reality, rather than a construction of it, appear to be irrelevant in some instances. Thus, Baudrillard's phases raise a pertinent question. What particular phase is represented by the use of imagery in annual reports?

This then comes back to the contrasting definitions of the image, where the image is either a true representation of reality, or a false representation of reality (assuming that such a reality exists). Such opposing realities can be seen to emerge when looking at the extensive purposes to which imagery can be

put. Thus, a further investigation of Baudrillard's phases of the image, and how they apply to possible realities expressed by company annual reports is relevant here. In the first of these phases, Baudrillard (1983) describes the image as a "good" thing, something close to a sacrament. Preston et al. (1996) describe this phase as forming "the foundation for seeing that pervades our culture". We can see that this view underpins mainstream financial accounting, and indeed, any reporting that purports to represent and communicate something factually, objectively and without loss. It is suggested here that striving for this Yeatsian "perfect" view even applies to non-mainstream accounting areas such as corporate social reporting for example. By attempting to tell the company story and its impact on society and/or the environment by showing "more and more of the total picture" as Simpson (1997) has described, the company can be seen to be "telling it like it is". This is so that stakeholders can use this information for their diverse needs. Thus issues of auditing, financial or social, still apply, as only "realities" can be audited.

The second phase of the image is described by Baudrillard (1983) as "an *evil* appearance" (p.12). By masking or distorting a basic reality, the image can be seen to approach the level of propaganda, or, be seen as a rhetorical or persuasive device as to the true nature of the company's activities. The image as a public relations tool fits into this phase. Reality, in the form of the true view of the company, can be exposed simply by removing the mask, or the image. This view also underpins mainstream accounting, in that it is the function of auditing to expose the presence of any masks or distorting features, such as ambiguity, or a lack of objectivity, to ensure that the underlying reality is presented. Just as it is unsurprising that "the view of metaphor as illicit" (Walters-York, 1996, p.48) is present in mainstream accounting discourse, this view of the image in annual reports as a mask to reality or a "deviation from the truth" (Walters-York, 1996, p.47), can indeed be seen as an "evil" influence. For example, Squiers (1989, p.213) shows that many pictures taken for annual reports are "set-up or re-enacted" in order to present a certain company reality (or image) that the company wishes to be seen. In addition, she reports the use of black and white photography as a method to portray honesty, or reality, or a "crisp, steely authority" (p.209). This is the reason why the pictures of directors, and other important persona, are often shown in black and white. Black and white photography is also used to present an overall elegance to annual reports where falling revenues are reported, which gives the impression that business will "undoubtedly be picking up

soon" (Squiers, 1989, p.211). Thus while Squiers suggests that "bad news" is often confined to the financial or narrative segments of the annual report, the pictures can possibly tell another, more positive story.

Preston et al. (1996) present the "asserted neutrality of photographic images" (p. 134) as an ideological ploy on the part of the company in order to rationalise the present structure of society which emphasises structural and institutional relations" (p. 134). The view of images being used in annual reports as an ideological influence to support the status quo is also highlighted in Squiers' (1989) discussion, where she suggests only those readers with a suitable education in accounting will be able to read the narrative and financial segments. If, due to the workings of a market-based economy, education becomes funded by the very companies which present this seemingly ideologically neutral imagery, then the image can indeed be seen to have a function which "masks and perverts reality" (Preston et al. 1996, p.134). The "reality" for New Zealand society as stated by Kelsey (1997), is that the companies concerned (for example, "major industrial powers, the self-interested players in the capital markets...and free-market economists" (Kelsey, 1997, p.11)), may be really only taking part in a political "experiment" which may ignore the divergence between prevailing social values and the market. Kelsey (1997) states that this has occurred because there was an "unimpeded imposition of a particular ideological model" (Kelsey, 1997, p.11). If this is the case, New Zealand companies can then be seen to wield a strong influence, or even control, over the views of a majority of the population through the use of imagery. If this majority view is most likely biased in favour of these companies, and its vested interest in creating profits, there appears to be a need for an audit of these images, or at least some societal awareness of what the company is attempting to do.

The third phase of the image "*plays at being* an appearance - it is of the order of sorcery" (Baudrillard, 1983, p.12, emphasis in original). Here reality is acknowledged as something that does not exist, but the illusion of it must exist for whatever reason. These reasons could be political in that the image is constructed to avoid panic. Baudrillard considers that it is dangerous to unmask images, as it can "dissimulate the fact that there is nothing behind them" (p.12). This causes a panic-stricken production of the real and the referential. For him, this results in construction of myths, (such as God) and a "resurrection of the figurative". Preston et al. (1996) consider this view as indicative of post-modern schizophrenia and depthlessness, and is illustrated by the use of images appropriated from the artworld in annual reports.

These appropriated images are then used, out of their original context, to signify something completely different. Further, these authors interpret such practices by a company as an attempt to escape criticism of its practices by “altering existing conflicting economic and social relations” (Preston et al., 1996, p.129).

In the fourth phase the image becomes or, as Preston et al. (1996) prefer, constitutes reality. Baudrillard (1983) gives an example of the endangered caves of Lascaux in France, which were replicated to protect the original. He says that now, all that the tourists would know of these caves, is the replication. That is, the replication is the tourist spot now. The “real” caves themselves have lost all significance and need now no longer exist, and even do not exist for some people (Baudrillard, 1983, p.18).

The same could be said of imagery in company annual reports. A thick glossy celebratory annual report could “be” the company to some stakeholders. The company itself has become inseparable from its annual report, or, in other words, corporate images are seen “as inseparable from a vast visual apparatus in which the subject and reality have been constituted in the twentieth century” (Preston et al. ,1996, p.134). This view , as discussed previously, parallels the views of Hines (1988) and Morgan (1988), and perhaps, Feyerabend: “we need a dream-world in order to discover the features of the real world we think we inhabit (and which may actually be just another dreamworld)” (Feyerabend, 1975, p.32).

### **2.3.5** *Imagery in Annual Reports as Ideology*

In a study which considers how complex scientific issues (specifically, research on the effects of acid rain) are represented to lay people, Law and Whittaker (1988) find that “much has been lost in the use of graphical representation” (Law & Whittaker, 1988, p. 176). They study how these “technologies of simplification, discrimination and integration” (p.163) “suppress what they purport to represent, and replace it with novel and more docile elements which are often visual” (p.160). Law & Whittaker (1988) find that pictures of “breathtakingly beautiful country scenes” which are not related to the text seem to play a “celebratory role”, and are “just there” often without captions. The writers suggest that these pictures do not contribute to the arguments of the book, but are about what the book “would like to happen if all went well” (p.171). They suggest that these pictures have been carefully chosen to represent a “technology of

purification” , and thus providing a sacred view of nature, a view which is they hold as rather fragile. They then contrast the use of pictures with those of graphs, and find that the original data has been replaced with “objects that may more easily be interrelated with one another”, (meaning lines and spaces), and because of this simplification, “representativeness is always questionable” (p.179). They are concerned about the political and ideological nature of science because “it marshals, organises, and purports to speak on behalf of objects that are rendered silent” (p.180). This demonstrates that an understanding of ideological practices such as science and art is important because they both “silence and wield power on behalf of others” (p.182).

Neimark (1992) shows that accounting, too, undertakes ideological practices in a company annual report. Annual reports are described as “weapons” available to companies in order that they may struggle over the meaning of their existence. The annual report is used “to construct themselves and their relationships with others as they strive to create and maintain the conditions necessary for their continued profitability and growth” (Neimark, 1992, p.100). She also suggests that the preparers of these annual reports may “be very conscious of the partisan world they are simultaneously creating and perpetrating” (p.101). Annual reports can also thus be seen as ideological weapons, from both a scientific and artistic perspective because of the power they wield on behalf of others.

## **2.4     *The Function of Financial Disclosure***

The contents of an annual report can be separated into a number of categories: the pictorial, the financial, the narrative. Although much of the financial information is statutorily required, there is still a portion of financial information which is disclosed voluntarily. The narrative (e.g. the chairman’s report, and “overview of operations”) and pictorial sections (including graphs and logos) are all voluntary.

The financial statements section has traditionally been recognised as factual. Indeed, the facticity of the financial accounting reports is endorsed by the presence of an auditors report. The truth value of the financial accounting information has long been regarded to be of vital importance in making decisions as to the optimal allocation of scarce resources. Under neo-classical economic theory, which focuses on the

mathematical expression of maximisation under constraints of scarcity, and utilitarianism based on individual choice, financial accounting information is quickly absorbed by the (perfect) market, and is reflected in share prices of companies through the actions of individuals making self-interested investment decisions, based on this information. In addition, disclosure of financial information has been traditionally viewed as reducing investor uncertainty in the market, thereby reducing the firms cost of capital (Gray, Meek & Roberts, 1995, p.44). The information contribution of photographs in annual reports is not widely held to be used in investment decisions, because, generally it is not regarded as credible or reliable information (Anderson & Epstein, 1996). It has also been found that credibility is central to effective financial disclosure, and this depends on the firms reputation in the market in displaying behaviour consistent with internal organizational rules and policies. (Gibbins, Richardson & Waterhouse, 1990, p.138). These authors appear to substantiate the argument that informational disclosure happens not necessarily because of any savings in funding costs, but because the firm wishes to display behaviour that is regarded as socially appropriate (thereby enhancing its reputation).

Why then, do photographs and all kinds of imagery appear in annual reports? Neo-classical theory can be of limited use here in that, while it may explain its presence for instance as a signalling behaviour, and it may be linked to profitability and prosperity, as explained above, imagery is present for the benefit of customers, and others. Because neo-classical theory concentrates on the mathematical expression of choice of the self-interested individual, it ignores the presence of social classes, class mobility and political bodies. (Screpanti and Zamagni, 1996, p.148). Corporate social reporting attempts to address this deficiency, and the next chapter discusses and describes the background to, and arguments for, corporate social reporting, with suggestions as to the possibilities of imagery as a social report.

## CHAPTER THREE - SOCIAL REPORTING ISSUES

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### 3.1 *Background to Corporate Social Reporting*

Preston et al. (1996) conclude that:

“critique is no longer a question of unmasking false representations of reality or ideology, but rather a question of both revealing and subverting the functioning of the collective apparatuses of subjectivity and reality production, of which mechanical reproduction and, increasingly, the electronic production of images are part.”  
(Preston, et al. ,1996, p.134)

This contrasts with a comment by Hines (1988):

“If individuals were to be self-consciously aware of the constructed nature of society, and the part they play in creating and sustaining it, society would not function effectively.  
(Hines, 1988, p.257n).

The question of whether society is better off by knowledge of the consequences of our actions is a continuing theme addressed by all disclosure issues. The impact that imagery in annual reports has in making us aware of certain constructed organisational or corporate realities is important in that imagery has the potential to reveal or expose these realities. Whether we are better off by knowing that these realities can be constructed is an integral part of how society is constructed, and how social order is achieved. This then explicitly places the accountant in a social dimension, one not traditionally associated with accounting. Social accounting, however, is an area of accounting that does address these issues. Some background on this field is necessary to show how social accounting, social reporting, and the image are linked.

In the Middle Ages, social consensus was maintained by two fundamental principles: authority and faith. The power to govern was centred around the assumption of the existence of God (i.e. the divine right of kings). The “Enlightenment” brought forward the problem of social thought: “how is social order possible if God does not exist?” (Screpanti & Zamagni, 1993, p.55). French philosopher Jean Jacques Rousseau (1712 - 1778), influenced by writers such as Machiavelli and Hobbes, developed the idea that the perfect state of mankind was in isolation. It was scarcity that drove man to be a social being, and this is what made him corrupt.

Thus society's natural state was in conflict:

'everyone began to look at everyone else, and wish to be looked at himself, and public esteem acquired a value' (Rousseau, *Discourse on the Origin and the Foundations of Inequality among Men*, 1755, (Second Discourse), cited in Xenos, 1989, p.23).

In order that society should be harmonious, Rousseau believed that laws are necessary, and these laws would only be obeyed if the people took part in making them. The State's responsibility is to administer these laws, ensuring absolute obedience, in the interests of social harmony and welfare. The power of the State thus derives from the 'general will' of the people, via a social contract:

'This would entail the maintenance by the State of a rigid moral code... with the aim of fostering a regard for the collective over the self. Such a society would be "forced to be free" ' (Xenos, 1989, p. 26).

Such radical ideas of freedom were to fuel the French Revolution, and provide the basis for modern social science (Cranston, 1984, p.29). Rousseau was classed as an Idealist and a Romantic who despised reason or man's capability of rational thought. He was never able to solve, however, the problem of demonstrating that a free (or moral) life was possible while acting in one's own interests, or that civil society was possible without the existence of the State.

Another approach to social order was taken by the Scottish philosophers David Hume (1711-76) and Adam Smith (1723-90). Adam Smith, in particular, solved the problem of how one can morally justify selfish behaviour. If individuals are naturally endowed with some form of 'moral sentiment', then 'there is no need for external intervention to give sense to social life; neither God nor the State is necessary' (Screpanti & Zamagni, 1993, p.56). *Laissez faire* was accepted as a moral and socially acceptable way of how society was ordered, and how business ought to be done. This assumed that man was not corrupted by social behaviour, and that a natural social order was possible:

'With the "theorem of the invisible hand" Smith simply aimed at demonstrating that *individuals serve the collective interest precisely because they are guided by self interest*' (Screpanti & Zamagni, 1993, p.56, emphasis in original)

In contrast to the Idealism of Rousseau, Hume and Smith were Empiricists who believed man was capable of rational thought and action. Empirically based thought is now the basis for mainstream economic and accounting views of reality, and social order.

Social accounting arises from questions about the place the corporation holds in society, and directly challenges the ability of profits obtained through maximising individual self interest, or their distribution via Adam Smith's 'invisible hand', to promote 'collective' social welfare. Some writers on corporate social reporting even find these ideas 'morally degenerate' and 'offensive' (Gray, Kouhy & Lavers, 1995a, p.52).

The use of imagery as an example of a social reporting medium has been acknowledged (Gray, Owen & Maunders, 1987, p.113). Questions arise, however, after the preceding discussion, about the precise nature of the representations made. Does the company commit to a 'morally good' stance, and represent a certain 'basic reality' with these pictures; or does it show a more 'evil' intent by merely including promotional material which masks and distorts this 'basic reality'; is it possible to represent such a reality, and is this reality 'really' in the interests of social welfare? These questions open up the possibility that corporate social reporting can expose the invisible hand of Adam Smith, by making explicit a social contract between business and society, by showing exactly how a company provides social welfare. Further, if there is such a social contract, much like that of Rousseau's between the State and the people, can it be assumed that business is essentially corrupt, much like Rousseau's assumptions about society? Is it realistic to assume some 'moral sentiment' on the part of business to ensure that the invisible hand does indeed provide social welfare? If not, it could mean that social reporting, through the use of imagery and other means, indeed exposes the need for business to strictly adhere to legislation in order that social harmony prevails. Some of the recent literature deals with these issues, and these will now be summarised.

### **3.2 *Recent Research Findings***

In a recent study of social and environmental disclosures in New Zealand companies, Hackston & Milne (1996) identified specific variables that appear to be related to corporate social reporting (CSR). Size and industry were found to be significantly associated with amount of disclosure, while profitability was not. Further, 'the size-disclosure relationship was found to be much stronger for high-profile companies' (Hackston & Milne, 1996, p.102). Companies with overseas affiliations were also found to have greater social disclosure.

Gray, Kouhy and Lavers (1995a) reviewed the empirical findings in CSR for the past 20 years in the UK, and identified a number of characteristics that predispose a company to make social disclosures: 'capital intensity, age of corporation, strategic posture, senior executive attitudes and the existence of a social responsibility committee' (Gray, Kouhy and Lavers, 1995a, p.50). These authors consider social disclosure to be 'part of the dialogue between the company and its stakeholders', and that CSR has been a successful medium for 'negotiating these relationships' (p.53). Further, they interpret the increase of environmental and social disclosures in general, and the rise of health and safety disclosures in particular as 'evidence of the State pulling back from regulation of the workplace, and leaving the matter to companies' (p.65). They comment on the increasing levels of social disclosure, but admit that the overall amount is not enough to describe it as anything other than a 'marginal activity' (p.68). This appears to support a 'laissez faire' interpretation of corporate social disclosure in the UK. This situation also adds to the concerns regarding political democracy as it raises the question of determining who is in charge of running the affairs of the nation, if important matters such as this are left to the corporations. In addition, it cannot be assumed that CSR is 'marginal' simply because the areas devoted to social disclosure are relatively small. Further discussion on the assumptions implicit in any content analysis is made in the method section in Chapter Six.

In a study which looks at CSR in Western Europe, Adams, Hill and Roberts (1998) comment also on the lack of Government interest in social and environmental concerns in the UK, and add further that 'one of the most effective ways of pre-empting legislation is to demonstrate that it is not needed' (Adams et al., 1998, p.17). These comments are made to demonstrate that companies legitimate their activities by making social disclosures, in order to 'reduce external or public demands for greater controls on their freedom' and also to justify lack of Government control. These comments highlight the relevance of a political economy approach to this subject, and also alert one to the question of the moral stance of corporations *vis-à-vis* Rousseau discussed earlier. Imagery in annual reports, if seen as a social report, could be another option the company has of justifying and legitimising its activities. Guthrie & Parker (1989) suggest that a political economy of accounting has 'richer' explanatory potential than legitimacy theory, and suggest further research in this area to see if it can explain the incidence of CSR. They define corporate disclosure as:

'a proactive process of information provided from management's perspective designed to set and shape the agenda of debate and to mediate, suppress, mystify and transform social conflict' (Guthrie & Parker, 1989, p.351).

Since this appears to be similar to the ability of a photograph to provide social comment, as discussed by Bolton (1989) previously, it appears there is a possibility that imagery also can provide corporate social disclosure. Thus, it is appropriate at this stage to look at precisely how a social report is defined, and then how imagery can be incorporated into a social report.

### **3.3 *Definition of a Social Report***

Gray et al. (1987) define social reporting as 'the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large' (Gray et al., 1987, p.ix). Although mentioning 'particular interest groups' would seem to justify to some extent an elitist stance, they acknowledge further that at the heart of CSR is 'some overriding sense of society-as-a-whole' (p.19) in the interests of democracy. They also note that consensus as to which group gets prominence in the existence of conflict of interests is notoriously hard to obtain. Thus such terms as 'user relevance' become hard to determine. They choose accountability as a more suitable criterion for determining what information is included in a social report.

As a starting point they outline four characteristics of a social report:

Fig. 2. Required Characteristics of a Social Report.

1. Each report should include a statement of its objectives which allows (*inter alia*) the assessment of the:
  - grounds for data selection
  - reasons for form of presentation chosen
2. The objective of a social report should be to discharge accountability in the spirit of improved democracy
3. The information should be directly related to the objectives held for the particular groups to whom it is addressed.
4. The information should be unmanipulated and readable by a non-expert. It must be audited.

(Gray et al., (1987), p.89).

Gray, Kouhy & Lavers (1995b) identify from the literature four major themes for CSR: 'natural environment; employees; community; and customers' (Gray et al., 1995b, p.81). A social report would then be expected to cover these themes. The article anticipates problems occurring, however, because additional themes would inevitably appear, and distinctions between mandatory and regulated disclosure would exist. For example, there are difficulties in comparability, either due to changes over time, or simply industry differences. Problems also exist in determining who is to prepare the report. Although much of this information can be regarded as beyond the expertise of accountants, Gray et al. (1995b) regard accountants as being able to contribute especially in the areas of communication and audit of this material, particularly since this information would most likely be communicated via the annual report, and also since as they suggest, everyone else is also limited in their knowledge and requisite skills.

### 3.4 *Imagery as a Corporate Social Report*

Notwithstanding the existence of problems in determining the content of a social report, it is clear that imagery can be seen to have potential as a social report, if one looks at the characteristics as defined in Fig. 2. The first characteristic requires a statement of the objectives, or agenda that the company is attempting to fulfil by the social report. This follows from what was explained previously regarding company values. How can political or economic 'voting' decisions be made without knowing what the company regards as important? These values can just as easily be represented by imagery, as text. It has already been discussed that photography in particular can not escape portraying social issues, and with this must come some element of social responsibility. The second and third characteristics support a democratic accountability, meaning that the company must represent how it has achieved its objectives, in order that decisions may be made by stakeholders as to the degree of achievement the company has made in relation to its objectives. This type of information, again, can be represented by imagery. Documentary styles of photography appear to be more appropriate here, rather than the interpretative, 'concept' styles. Rather than being explained by narrative means, then, pictures can show how the company is achieving its objectives. It is the fourth characteristic, however, that presents the greatest difficulty in complying with the requirements of a social report. Although it may be generally agreed that pictures and other imagery may be readable by non-experts, that this type information should be unmanipulated, as well as audited would present a major difficulty, especially with regard to the previous discussion of the literature, which states that pictures can be seen to be manipulations themselves, which then adds to a lack of credibility. How is an audit of this phenomenon possible? One could solve this difficulty by assuming that only imagery regarded as fact can be audited. If imagery is regarded as opinion, or some personal version of a self-constructed reality, then expectations of compliance to certain standards would presumably be unattainable, and thus the potential to be audited would be restricted. That pictures should be audited is an inescapable condition of a social report by definition (although not necessarily of corporate disclosure in general if one agrees with the Guthrie & Parker (1989) definition shown earlier). Mathews (1997b) has highlighted the concern to accountants and auditors that much social disclosure material is neither prepared by accountants, nor audited. Thus, it can be assumed then, that if imagery is to be regarded as a social report, it must be factually based in order that it may be audited. To do this, it may be then argued

that companies must resort to only 'documentary' type photography, because use of other methods means that the imagery is rendered unauditable. This argument is relevant only if one applies criteria that have previously been applied to the audit of financial data. Yet, as Mathews (1997b) points out, early models of integrating social reporting forms failed to attract long-standing attention 'partly because the social dimension was forced into a quasi financial accounting format' (Mathews, 1997b, p.287). Thus the problem may not be in the audit itself, but in the way an 'audit' is defined. In addition, compliance to requirements of documentary based reporting for photography would be hard to maintain or police, and one finds difficulty in foreseeing how a statute or a regulation would be formulated in order to set guidelines as to what constitutes a 'documentary' type photograph. Bolton's (1989) comments regarding 'the truth' portrayed by the photographer Avedon are relevant here. One must always be aware that photographs have the ability to construct as well as represent social attitudes. Also, the argument of partiality can be equally applied to any type of financial or social report, whether textual or not, because there is an ongoing problem of information 'completeness' (Mathews, 1997b, p.283). Thus the problems arising from the audit of photography come down to the same problems in auditing currently present in any social report: the problem of inapplicable criteria being imposed.

Mathews (1997b) considered the problems associated with the current financial accounting format, and suggested an alternative structure for annual reports, where rights to information are acknowledged for a widening group of stakeholders, and also for the provision of 'multi-faceted information' (p.285). It is suggested here that imagery is one of these facets. Mathews (1997b) also suggested an annual report made up of individual reports concentrating on three areas containing social, environmental and financial data, each with its own conceptual framework, standard system, and, requiring an audit. If a company were to state its values regarding its social responsibility, by using imagery, an audit of these pictures could be conducted not necessarily on how 'true or fair' it might be, but perhaps by ensuring that the imagery and the values were not in conflict. The audit of social information would then be concerned about a company being held accountable to meeting its own self-defined standards, not about investigating standards or values pre-set by an 'objective' outside body, as this can quickly become an easily manipulated 'truth'. The credibility and appropriateness of these self-defined standards are then judged by the whole community. This issue of accountability is at the centre of criteria for social audit advocated by Gray et al. (1987), and

Mathews (1997b), and can be further illustrated by a recent example found in the local press. The 'Dominion' recently ran an article titled 'The camera has always told lies' (Dominion, 7 January 1999, p.7), where it was shown that photos in magazines are 'doctored' to show whatever the magazine wished to show. The article states that the function of news photography is to 'seize the moment and let the picture speak for itself', that this entails honesty, drama, and composition; meaning that pictures can easily be moulded by technological means to present anything that editors and documentary makers wish, making these people the 'moral guardians of the new media age'. Appearing at the end of the article is this statement: 'The Dominion's code of ethics prohibits doctoring of photographs'.

The readers rely, then, on this statement in order that they may believe future photographs. This, too, applies just as importantly to annual reports. Although the Dominion appears not to have printed the full version of its code of ethics with this article, it may be that the appearance of a similar 'code of ethics' or *statement of values* within an annual report, would fulfil part of the requirements of an audit of social (and environmental) information. Compliance with this statement of values is then required as part of the social audit process. Alternatively, if such a statement does not appear, the reader is left to assume that the equivalent corporate 'moral guardians' are the individuals controlling the corporation, meaning presumably, the directors, and management. In this case it would be appropriate for individual director values to be disclosed, in order that a social audit may be undertaken. This would almost certainly lead to an element of accountability on the part of directors and management. Currently, there appears to be no attempt to present individual director values in an annual report. This matter is discussed further in the section on director photos, in the chapter on results.

Assuming that a statement of company values does appear in a company annual report, an understanding of societal implications of a variety of stated company values is then required by the social auditor, who is most likely to be an accountant. As there is a demonstrable lack of social and environmental accounting matters in an undergraduate curriculum (Mathews, 1997a, p.505), probably because of a financial accounting perspective, investigating the way imagery is used as social disclosure in annual reports would seem to add further support for its inclusion, especially as 'the next generation of accounting professionals are almost as poorly prepared to evaluate new developments (and embrace them where appropriate) as

were past generations' (Mathews, 1997a, p.505). The importance of imagery as a social report is just such a new development, yet has been recognised by few researchers in the corporate social reporting field, perhaps because of this curricular inadequacy.

The recent Dominion article referred to serves as an introduction to the concept of imagery as opinion. The role such opinion based information plays in social construction is discussed, as well as possibilities for the media to play a 'moral guardian'. Even in this new media age, Adam Smith's requirement for some such 'moral sentiment' being present in order for the invisible hand to operate in the interests of social welfare can be seen to still be relevant, even though it appears that maybe it is now the image-makers, (or the design/public relations consultants) rather than the business entrepreneurs who now undertake this role. This issue is now discussed in relation to the changing format of annual reports.

## CHAPTER FOUR - ADVERTISING ISSUES

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'What man worthy of the name artist, and what true connoisseur, has ever confused art with industry?' (Baudelaire, 1859, p.113)

### 4.1 *Background: Advertising and Ideology*

Williamson (1984) defines ideology as 'meaning *made necessary* by the conditions of society while helping to *perpetuate* those conditions' (Williamson, 1984, p. 13). She concludes that this 'need for relationship and human meaning appropriated by advertising is one that, if only it was not diverted, could radically change the society we live in' (Williamson, 1984, p.14). She believes that it is this 'need to belong' that makes individuals vulnerable to the ideology of advertising, and shows that the image, when used as advertising, can be seen to be 'selling us ourselves' (Williamson, 1984, p.13). This is a different perspective on the image from that previously discussed, for, if the function of the image is to be regarded as a socially constructive one, then, as Williamson suggests, the act of advertising could mean that, rather than a privileged portion (a so-called elite), it is society-as-a-whole that is (re)constructing its own image. Williamson (1984) also states however, that advertising can be 'an anonymous speech' (p.14) because nobody sees the people actually inventing and producing the adverts. Thus there appears to be some difficulty in ascertaining exactly who is doing the socially constructing act: is it society-as-a-whole, or is it some privileged portion of society. If advertising is indeed an ideology both making necessary and perpetrating conditions of society, one must necessarily give consideration to the party which is to benefit from these conditions.

### 4.2 *The Consumer and Social Engineering*

Oliver Wendell Holmes defined the photograph as 'a mirror with a memory' (Holmes, 1859, p.54). Ewen (1988) discusses Holmes' concerns on being able to capture and preserve the features of a person, place or object, and how it would change the way people saw the world. In fact, Holmes thought that it would make the image more important, and the object disposable. Before photography, one had to view the original object to see the material world. With photography, one could immediately view an exact likeness,

albeit a superficial one. This brought forth the related issues of representation, truth and reality. Thus Ewen (1988) shows that Holmes' prediction was correct: 'the ability to reproduce the disembodied appearance of things portended the coming of a vast and mobile market in images' (Ewen, 1988, p.25). This led to the 'triumph of the superficial' in the beginning of the nineteenth century (p.32). A new 'consumer democracy' arose, based on the marketing of a certain 'style' of an elite culture, originating from the nobility of the Middle Ages. The gradual breakdown of elite social power in favour of class mobility and social equality, and the development of mass production enabled the connection to middle class consumption to be made (p. 43). Advertising became a business in itself, intent on studying the impact of images on the mind of the potential consumer (p.47), and thus providing commerce with 'tools that could be used to its active advantage' (p. 49). Ewen's statements make clear that he thinks that the consumer is controlled by commerce, which in turn is controlled by an elite culture because of the human need for emulation of 'style'.

Barthes (1957) treated consumer goods, especially cars, as 'the very essence of petit-bourgeois advancement' (Barthes, 1957, p.90). By definition, the petite-bourgeoisie is the section of the middle class with the lowest social status (Oxford Concise Dictionary, p. 1022) . Thus consumer goods would seem to appeal to those with an interest in bettering their station in life, by the acquisition of material goods. This can be said to be the mainstay of Western capitalist life, and understood by many to be quite acceptable. However, if this material advancement is exploited for the betterment of a privileged, elite minority, then the structure of a society that allows this to happen may be criticised on philosophical and moral grounds. It is not the purpose of this study to embark on such a criticism. Yet, there is evidence from the literature, that images are indeed used to engage in a form of social engineering, which results in certain classes of society being induced to purchase consumer goods in order that they may participate in certain modes of behaviour, pre-set by a cultural elite as 'normal'. Promotion of these certain, pre-set modes of behaviour can be regarded as advertising, or, as Williamson (1984) has shown, advertising with an overlay of ideological values. This 'elite' could be regarded as the 'moral guardians' referred to in the previous chapter, and, further, a moral dilemma occurs if this 'elite' directly profits by the purchase of said goods. Lee (1994), and Preston et al. (1996) suggest that it is company directors and management that constitute this elite.

Further, both Lee (1994) and Squiers (1989) suggest that this management elite uses annual report design consultants to manage the production of the annual report resulting in an increasing use of design techniques such as logos, reproduction technology, and overlay of narrative with pictures, all of which appear to ensure that the anonymity of this elite is preserved. Nevertheless, it is assumed here that directors and management, have a direct input into what is represented in images appearing in annual reports, even if it extends only to the choices of images offered by the design consultant. Whether this assumption is valid is a matter for further research.

#### **4.3 *The Image and the Product in the Annual Report***

Preston, Wright & Young (1996) show that in annual reports from the 1950s, images found in annual reports 'related in some obvious and direct way to the nature of the product or business in which the company was involved' (p.113). They find that this has changed in more recent years, so that images in annual reports now 'draw upon the pluralism of form that characterises the contemporary art world' (p.114). They suggest that this change indicates a difference in the way corporations can be seen and known, in that corporations constitute themselves through the use of these contemporary styles of images, and that this means that images in annual reports are simply 'stylised images' that have the same fascinating effects as those employed in advertising' (p.119). By looking beneath this imagery, Preston et al. (1996) suggest that this results in not only being able to discern 'corporate messages of technology, globalism and progress' (p. 121), but also other messages, which can be understood by concentrating on what is not shown. They use examples of the low-paid, manual worker, who is conspicuously absent from images in annual reports. Only the 'full-time permanent employee' who is part of the 'technical and managerial elite' (p.122) is featured, and this is shows how 'the new economy has been accompanied by a general resurgence of authority across the board in business and government' held by the 'conservative business class currently in power' (Bolton, 1989, p.261, cited by Preston et al.,1996, p.123). These comments would suggest that any factual base to the images of products and employees is doubtful, as products are used to maintain authority and power in not only the market place specifically, but also society in general.

In a study which examined the changing form of the annual report, Lee (1994) found that although report volume is a 'crude proxy' for the probability of the annual report being used to construct an image of the corporation (Lee, 1994, p.224; refer also to the implications of conducting content analysis discussed by Gray et al., 1995b), there was a 'significant use of the annual report by management for purposes other than to satisfy regulatory requirements for financial disclosure' (Lee, 1994, p.226). Lee (1994) found also that companies used visual techniques to project images of their position in the economic world, that voluntary disclosures were increasing at a faster rate than regulatory-based changes, and also that companies were using pictures more than narrative to portray company products. He found that this was consistent with Ewen's (1988) general thesis of consumer engineering using image management techniques. Lee (1994) found that this had implications for financial reporting stewardship because 'it is reasonably clear that financial data constitute a minority of space in the total reporting package' (p.231), and that this 'creates concerns about the quality of corporate accountability and governance' (p.231) since there is a danger that the financial information will not receive the attention it deserves from its readers. If this is the case, 'attention must be paid to the issue of the annual report apparently existing for financial accountability purposes, whilst, in reality, being part of company image management' (Lee, 1994, p.231). The argument regarding disclosure and accountability can then be seen to lead to the fact vs opinion argument. In addition to these concerns, there is an issue of the image being used to persuade, not only regarding the company image, and related governance issues, but also the individual consumer's image.

Scott (1994) advocates a theory of visual rhetoric for advertisements which describes the persuasive qualities used in consumer advertising, and how imagery is utilised to ensure various different persuasion techniques. She explores 'copy theory' which is based upon the premise that images are representations of reality, and finds that 'pictures we make actually influence the way we see' (Scott, 1994, p.260). This process relies on seeing as a 'learned behaviour that involves cognitive activity' (p.260). She describes cameras as 'machines designed to represent the world in the manner we have learned to show it' (p.261), but as no pictorial representation can show an object in all the ways it may be seen, photographic and other methods of producing imagery is thus only a selection on behalf of the artist, and thus inherently biased.

Apart from the persuasive and constructive functions of the image, Preston et al. (1996) also suggest that photographic images in annual reports are used to denote satisfied customers. A satisfied customer is a contributing factor to the economic cycle, in that the act of consumption is vital to the self-identification of the consumer, and this act thus eventually determines production, sales, employment and the continued existence of the organisation. McCracken (1990) has suggested that consumption is a symbolic act through which people communicate and construct notions of self, and that rather than being 'an unhappy, destructive preoccupation of a materialistic society', consumption is one of the 'chief instruments of its survival' by creating and maintaining order (McCracken, 1990, p.xi). Looking at it this way, it can be seen that the welfare of society-as-a-whole is enhanced by the provision of products, even though this may be the result of the controlling influence of a commercial or cultural elite as Ewen (1988) suggests. This view also suggests that this elite, having been described previously as exploitative and self-serving, may instead be regarded as benevolent. If this is the case, their suggested role as 'moral guardians' may be appropriate after all.

In his well known work, Veblen (1899-1979) explains that economic behaviour has an important communicative and expressive function. Status and wealth are displayed by 'conspicuous consumption' (Veblen, 1925, Chap. IV). Thus, it is also possible to consider that a company's annual report is used to (factually) represent the consumption habits of its customers as victories in the market, and as such, the annual report becomes, not only a persuasive device aimed at existing and prospective customers, but also an attempt to realistically display corporate wealth as Veblen (1925) describes. In this way, one could view the annual report as being both fact and opinion.

#### **4.4 Conclusion**

Whether society is constructed by a cultural elite, or by society-as-a-whole is a matter for debate. It appears that there is indeed a cultural elite which has a significant influence in deciding what consumer goods are available in the market, and these goods are marketed as necessary for profitable enterprise. Because there appears to be some social responsibility for enhancing social welfare attached to provision of these goods means that this elite could indeed be regarded as a moral guardian, just as anyone who

presents photographs supposedly depicting society as fact can be seen to be a moral guardian (as the Dominion suggests). Whether society-as-a-whole freely, by default, or knowingly, is coerced to participate in consumption of these goods is not clear. Whether anybody is better off by these actions is also a matter for debate.

What is clear, however, is that most people would regard the availability of food, clothing, cars, telephones, carpet and solid-walled houses for the majority of the population in the Western world, as a sign of progress, and necessary for social welfare. So the debate comes to be not about whether the goods should be made available, but only as to the choice (again, the democracy issue), and the price (usually an information issue). It is possible that it is in these areas that the potential for exploitation occurs. In recent times, however, the likelihood of a 'postmodern consumer' being so exploited is apparently becoming more and more remote, for Lewis, Webley & Furnham (1995) describe the postmodern consumer as 'self-conscious parodists fond of ironical twists' (p.290). They note that how one would go about constructing a reflexive study of such a consumer 'boggles the imagination' (p.290). One must note that how one would go about exploiting such a consumer without his/her knowledge would represent a similar challenge.

## CHAPTER FIVE - IGNORANCE ISSUES

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### 5.1 Introduction

'So far, therefore, as the science of exchange relates to the advantage of one of the exchanging persons only, it is founded on the ignorance or incapacity of the opposite person... It is therefore a science founded on nescience...' (Ruskin, 1906, p.133).

In 1862, in an essay titled 'The Roots of Honour', the noted writer John Ruskin attempted to clarify the true function of the merchant with respect to other people. Ruskin first identified five great intellectual professions: the soldier, the pastor, the physician, the lawyer and the merchant (Ruskin, 1906, p.31). These professions were all credited with relating to the necessities of life in every civilised nation, and members of each profession were expected to *die* for this nation 'on due occasion'. However, Ruskin could find examples of these 'due occasions' for only the first four professions, and was left to ask, 'The Merchant - what is *his* "due occasion" of death?' He found that this question was of fundamental importance for the merchant as, 'for truly, the man that does not know when to die, does not know how to live' (Ruskin, 1906, p.32). The moral issues emerging from the economic theories and policies of his (Victorian) times concerned Ruskin greatly, leading to the expression of his great creed: 'There is no Wealth but Life' (Ruskin, 1906, p.156).

Ruskin eventually concluded that life was reliant upon merchants 'providing for the nation'. He noted that in order to fulfil this task, it was unfortunate that merchants, in order to preserve their profits, were obliged to maintain their authority over their workers (described as the poor and disadvantaged), by withholding education (Ruskin, 1906, p. 159 - 160). Ruskin felt that profits obtained from the profession of 'providing for the nation' should be sacrificed in order to construct a nurturing, patriarchal, educational relationship between the worker and his merchant employer (p. 35 - 36, p. 159-160n). Not only did the merchant have responsibility towards his employees, but also his customers and competitors, for, taking up this point further in an adjoining essay, 'Ad Valorem', Ruskin held that the relationship of the merchant with others was based upon taking advantage of 'the ignorance, powerlessness, or heedlessness of the person dealt

with' (Ruskin, 1906, p.133). He expressed the view that the science of exchange upon which the merchant and commerce relies is the only science which promotes ignorance:

‘This science, alone of sciences, must, by all available means, promulgate and prolong its opposite nescience; otherwise the science itself is impossible’ (Ruskin, 1906, p.133)

Ignorance is commonly viewed as an undesirable element, something which contributes to social instability and lack of progress. Successful commercial enterprise is traditionally viewed as desirable, and furthermore, essential for social stability and progress. Yet, Ruskin’s view is that ignorance is essential for successful commercial enterprise. This conflict between ignorance, and economic and social progress, seems not to be widely acknowledged. Indeed, accounting, when reporting on merchants’ activities (these days normally in the form of companies), is seen as contributing towards commercial success by providing information from which to make commercial decisions. This is done through a variety of methods, such as the annual report. The annual report is widely acknowledged as a method by which companies communicate information to their various publics, and is used for all sorts of purposes. The more factual and informative the contents, the higher likelihood that the market can make informed decisions regarding the activities of companies, which will be reflected in the share price, which is an indicator of commercial success. Thus, the connection between company annual reports, and the maintenance of ignorance would traditionally be regarded as remote. However, in this chapter, it is argued that the use of imagery in company annual reports maintains the appropriate levels of ignorance which are, as Ruskin has long ago pointed out, essential for companies to maintain their existence.

## **5.2 Some Social and Economic Functions of Ignorance**

Ignorance has been defined as ‘simply referring to “not knowing”, that is, the absence of empirically valid knowledge’, it ‘may refer to past, present or future conditions or events, as long as valid knowledge is conceivably available’, but, ‘it is to be kept distinct from “error” whether of fact or of logic, and from the act of *ignoring* what is known’ (Moore & Tumin, 1949, p.788). Far from treating ignorance as undesirable, these authors regard genuine ignorance as only a ‘disturbing element’ which ‘performs specifiable functions in social structure and action’, and as a ‘both inescapable and an intrinsic element in social organisation generally’ (p.788). Perfect knowledge is regarded as an impossible basis of social action and relations.

In neo-classical economics, however, there is a presumption of perfect knowledge and foresight on the part of economic agents (O'Driscoll & Rizzo, 1985, p.3). These authors also state that 'ignorance is not something that can be avoided or overcome', 'that unexpected change is inevitable', even with the existence of analytical devices that supposedly eliminate this element (p.4). They also state that modelling uncertainty merely relegates ignorance of the future to a state of possible knowledge: it is just a matter of obtaining the correct model to expose a future that is 'out there' independent of human choice. They have difficulty with this concept because it 'abolishes the autonomy of the human mind' (p.4), which is about the same conclusion Moore and Tumin (1949) reached almost 40 years before. O'Driscoll and Rizzo (1985) not only reinforce the work of Moore & Tumin (1949), but also show that it can be applied to economic markets as Ruskin thought: 'time and ignorance make economic processes necessary' (p. 5), which means literally that the market exists because of ignorance.

In a seminal work which looked at the reasons why firms exist, Coase (1937, p. 19) originally stated two functions that individuals bring to an economic system that 'works itself' : that of exercising foresight, and that of choosing between alternatives. O'Driscoll and Rizzo (1985) highlight and discuss the significance of ignorance for these two functions in relation to the growing field of subjectivism in economics: 'it is not merely that we do not know which possibility out of a given set will occur, but the set itself is unbounded' (p.4) .

No matter how well informed an individual is, knowledge of the future is impossible. Exercising foresight, is, at best, an educated guess. Unpredictability, uncertainty and risk are all factors that can be studied under the heading of ignorance of future market processes. Under conditions of ignorance, no individual can predict the consequences of a chosen course of action, and thus there is always an element of 'surprise' as to the outcome (O'Driscoll & Rizzo, 1985, p.7). Further, market competition is dependant upon 'an impersonal limitation on advantage of all participants as well as equality of opportunity to obtain some advantage, for example, information, or 'knowledge and technical training requisite for class mobility' (Moore & Tumin, 1949, p.792). However Moore & Tumin (1949) show that there is an additional fundamental role that ignorance plays in maintaining a fair, competitive market system, in that competitors

*must* be unaware of each others' chosen policies and decisions, otherwise there becomes a system of overwhelming power combinations that makes 'the outcome so certain that no further action would be required' (p.792). By further action it is assumed these authors mean that the market becomes no longer competitive. 'Surprises' (O'Driscoll & Rizzo, 1985, p.7) as to the outcome of market processes no longer happen. This means no further competitors enter the market, resulting in a closed market, or even a monopoly situation. Monopolies typically result in no further work on improving efficient use of resources and wastage. This is presumably why monopoly situations are deemed unacceptable in the market; because the market is then deemed inefficient, and does not result in the optimal allocation of resources. Yet, this contrasts with the widely acknowledged fact that disclosure of policy decisions, future intentions, and even disclosure of company values is an important part of the content of either the chairman's report or directors report in an annual report. Further, to be efficient it is commonly acknowledged that 'the economy must function as it would if individuals were revealing their private information willingly, because they had no disincentive to do so', and it must function in a way 'that does not encourage the individual to conceal or misrepresent it' (Hammond, 1995, p.103). An efficient market results in the maximisation of profits. Thus, there must be some conflict in the market between the maintenance of ignorance of information about the firm's future, which ensures fair competition, and the maintenance of optimal profits. Put simply, if firms disclose too much and competitors predict their future actions accurately, the market fails; if they disclose too little (or falsely), the market becomes inefficient, and fails also.

The other function highlighted by Coase (1937) that individuals bring to any market system is choosing between alternatives. O'Driscoll and Rizzo (1985) show how ignorance of the range of possibilities in any decision 'set' results in two divergent situations at opposite ends of a 'behavioural continuum' ; either rule following behaviour so that a safe, stable, and predictable economic environment can be provided, (which results in the development of institutions); or in entrepreneurial 'discovery' of possibilities that have been overlooked by other market participants (which results in further instability and unpredictability) (p.6).

From a sociological point of view, rule following behaviour is important. Reinforcement of strict social rules such as traditional values depends upon ignorance of alternatives by acting to reduce curiosity and knowledge about the alternative social action that is considered outside 'normal' activity (Moore & Tumin,

1949, p.791). Thus ignorance acts as a significant factor in determining social values, and social needs. Social needs and values also dictate what the individual requires from the market, whether it be to 'keep up with trends', or simply to appear to conform. Moore & Tumin (1949) in discussing the preservation of stereotypes generally, comment that 'acquisition of the habit of appearing to conform to expected stereotypes' (p.792) contributes to social order. Ignorance of individual habits and thoughts is an intrinsic part of this. Institutions are the 'social crystallisation' of rule following behaviour, or, the overall pattern of many individuals following a similar rule (O'Driscoll & Rizzo, 1985, p. 6). Firms have a vested interest in ensuring that employees obey commands from their superiors, and work toward company goals, while using skills and technical knowledge to maintain the firm's entrepreneurial place in the market. This was explained by Moore & Tumin (1949) as a social function of ignorance: 'where bureaucratic organisation exists, the continuity of the organisation depends on the effective balance between ignorance required for orderly procedure, and the knowledge required by the participants' (Moore & Tumin, 1949, pp.792 - 793). This balance is highlighted elsewhere in their article, where Moore & Tumin (1949) discuss the role ignorance plays in preserving a privileged (whether social or economic) position. They point out that the continuity of any social structure depends on differential access to knowledge, or secrecy. A particular example they use is where the consumer is prevented from gaining access to 'trade secrets', and protection by a 'specialist' of technical standards. A sharp distinction is thus maintained between the knowledge of the 'specialist' and that of the 'aspirant'. Professions, such as accounting, use this distinction, which could also be termed a 'monopoly on professional knowledge' (Godfrey, Hodgson & Holmes, 1994, p.393) to maintain their survival. It has already been acknowledged that a fair market competition is dependant upon 'an impersonal limitation on advantage of all participants' as well as equality of opportunity to obtain some advantage (Moore & Tumin, 1949, p.792), but it is clear that there is, again, some conflict between the apparent supply of information, and maintenance of ignorance to ensure the continuity of a system, whether social or economic. Rules work to ensure that individuals are provided with a stable, ordered system, but possibly also ensure that they are ignorant of a 'set' of possible alternatives.

At the other end of the 'behavioural continuum' that O'Driscoll and Rizzo (1985, p.6) identify as the result of the unboundedness of the choice set is the role of entrepreneurial discovery. Entrepreneurs go beyond the limits of their ignorance to discover or create possibilities that have been overlooked by the market. This

enables further knowledge to be gained by the market, and the firms within. There are increasing suggestions that the theory of the firm is based upon knowledge, and intangible assets such as organisational learning, brand equity, and reputation, rather than resources based on transaction costs (e.g. Spender, 1996; Leibeskind, 1996; Tsoukas, 1996). Yet these suggestions do not confront the implications of an extraordinary increase in the availability of information (Goslin, 1985, p.10). Goslin (1985) notes that communication of this wealth of constantly changing, often conflicting, information is designed to inform or persuade, or both. Reliance on experts leads to interdependence for advice on how to categorise and assimilate this information, and, as already shown, experts have a vested interest in ensuring that ignorance of 'the aspirant' is maintained in order that a privileged position may be preserved. This applies equally to the consumer/seller relationship, as well as to the employee/employer relationship, and also to the professional/client relationship. Agency problems in owner/manager relationships can be seen to be based on ignorance of the others' thoughts and intentions, but there is also the same problem between firms, their clients, and their competitors.

Thus the question must be asked how trustworthy is the facticity of information released by the firm for use by other people? Judging by the previous arguments, a firm is required to maintain a precarious balance between providing certain amounts of factual information about itself to its wide audience, and not providing information, or providing misinformation. How can this audience tell the difference? Since education is commonly viewed as the method by which ignorance is reduced, is an educated investor more likely to analyse this information independently of 'experts'?

The significance of the role ignorance plays in the continuity of social systems generally, and more specifically, in the efficiency of the marketplace has been discussed. Various points have been made suggesting that ignorance of particular items of information is essential for firms to continue with their relationships with their employees, their clients, and their competitors. The next section will discuss the significance of ignorance in relation to the foremost vehicle of communication of information: the annual report.

### 5.3 *Ignorance, Education and the Annual Report*

'Art is an end in itself, technique a means to that end: one can be taught, the other cannot, for it is that quality which we bring into the world with us, and lacking it as an integral part, no amount of study will enable one to acquire it' (Weston, 1922, p.223).

Recent research on the usefulness of annual reports in NZ, Australia and the US has shown that the annual report is 'the vehicle through which improved corporate communications can be achieved' (Anderson and Epstein, 1996, p.165). These writers also found that shareholders are prepared to hold management, directors, accountants, and auditors liable if decision linked information does not appear in the annual report, and, further, shareholders want this information communicated in a language they understand. They explain that this means consideration of design and content issues such as 'use of less technical terms', 'more forward-looking information on market values' (p.173). Company annual reports should include 'more information on company strategy... future of the economy.... the industry' and, 'on how company actions impact on other stakeholders' (p.173). Macalister (1994) describes the annual report as a 'barometer to measure a company's performance, and even signal the state of the economy' (p.130).

Yet this information seems to be available to only a certain few. Jones and Shoemaker (1994) also show that accounting narratives are difficult to read, and suggest that there is a link (although as yet unproven) between readability and understandability. They also argue that if this link is valid, a minimum of an undergraduate level of education is required to read and understand company annual reports. Consequently, a majority of the population will not be able to understand the narrative and financial segments of company annual reports.

Lee and Tweedie (1981) outline arguments showing that even supposed experts (termed 'sophisticated investors') did not necessarily distinguish between good quality and poor quality information when analysing annual reports (p.8), and that although many believed they understood annual reports, 'their actual understanding was characterised by imprecision and variability' (p.141). This finding is somewhat surprising since sophisticated experts such as analysts, and institutional investors had substantial experience in information use and investment. Few possessed accounting qualifications, or had undertaken formal training in accounting (p.25). This leads one to consider what a formal accounting

education can provide in relation to an increase in knowledge, and thus presumably, a reduction in ignorance with regard to the ability to understand annual reports.

MacIntyre (1981) regards the manager, or 'bureaucratic expert' (p.73) as one of the central characters of modern society. He questions, however, the existence of any managerial and bureaucratic expertise. This expertise is more likely to be a 'masquerade of social control', or a 'moral fiction' (MacIntyre, 1981, p.75), because this expertise is more a matter of manipulating people by making them means towards predetermined ends. In fact, he suggests further that use of corporate power, and any related managerial effectiveness or skill is more likely to be due to a coincidence, rather than cause and effect, and that any claims to managerial knowledge are simply ploys to disguise this coincidence. Thus MacIntyre questions the justification of managers and bureaucrats to rule corporations. S. Johnson (1998) uses MacIntyre's arguments to show that 'skills are concerned with acquiring or using established techniques in order to achieve predetermined ends', yet 'debate about the worthwhileness of the task is excluded'. Thus an education to obtain skills such as annual report analysis on the part of the 'sophisticated investor' (themselves managers) would possibly be regarded by S. Johnson (1998) as 'knacks by routine, gimmicks which are picked up without knowledge of principles, and cultivated by ambitious men because of their usefulness' (S. Johnson, 1998, p.210). Teachers then become mere means of distribution of skills, resulting in a reduction of status for the teacher, and a trivial and superficial approach to humanity. For S. Johnson (1998), an ideal education is one where the development of ideas and critical thinking are more important, where more attention is paid to ends and values, rather than means. Thus teaching becomes a moral activity, involving complex human relationships, and education becomes part of an organised 'way of life' (S. Johnson, 1998, p.209). Thus the association between ignorance and education would only be intertwined if one considers the acquisition of skills, and the knowledge or means to obtain them. Education as a moral activity concerned with values may not be related to ignorance (as defined by Moore & Tumin (1949)) at all.

Business education, and more particularly, accounting education has traditionally been regarded as skills based for a specific vocation. Van Wyhe (1994) details the long involved process that accounting education has undergone, and uses a large array of literature to demonstrate that accounting education has

historically not been evaluated or criticised; that problems are asserted, not argued; students are put 'through the hoops of numerical problems' without questioning why the problem arose, or why official solutions were preferred over alternatives; and even that accounting educators have 'abdicated their leadership position to the standard-setters' (Zeff, 1989, cited by Van Wyhe, 1994, p.219). Van Wyhe (1994) concludes by describing the difficulties encountered in attempting to include requirements for a critical faculty for evaluating alternatives and making decisions into the professional curriculum. It is apparent that increasing the demand for empirical articles in accounting education research is restricting the occurrence of more 'visionary articles' supporting the development of this critical faculty (Van Wyhe, 1994, p.221).

P. Johnson (1995) echoes these concerns. He states that critical accounting education must concentrate upon 'the *processes* of de-reification and knowledge development, rather than upon its subsequent *content*' (P. Johnson, 1995, p.502, italics in original), otherwise education in the use of disclosed information becomes simply 'attitudinal restructuring' (p.502) i.e. not what to do, or how to think, but what to think. P. Johnson (1995) supports the approach to accounting problems, where, the students are assisted by their teachers to 'comprehend themselves and their problems in new ways and from that to develop knowledge and strategies that are practically adequate for coping with and resolving those problems' (P. Johnson, 1995, p.502). This is more in line with what S. Johnson (1998) has said regarding education as a way of life. Thus, concentrating on a skills based program in accounting education, while reducing ignorance, and increasing knowledge, may not assist in grasping all of the information contained in annual reports. It appears that skills based accounting education could either make the student vulnerable to conditioning by content, (for example, the imagery); or simply unaware of areas previously regarded as irrelevant or lacking credibility (again, imagery is a good example), thus maintaining a narrow focus around purely empirical, or financial, information. (It must be remembered here, that, according to Moore & Tumin (1949), the act of ignoring is not regarded as ignorance.)

While the relationship between ignorance and education may be a matter for further debate, it may be seen that there is possibly a relationship between imagery and ignorance, which may have a significant role to play in the understanding of corporate disclosures in an annual report, whether social or financial. This relationship will now be examined.

#### 5.4 *Ignorance, Imagery and the Annual Report.*

“Our well dressed data blind us to greater concerns” (Bolton, 1989, p.261)

The use of graphics, and particularly graphs, to display quantitative data is a comparatively recent phenomenon, developed by William Playfair (1759-1823). Data graphics have been described as “instruments for reasoning about quantitative information (Tufte, 1983, p.91). Tufte (1983) notes that “often the most effective way to describe, explore and summarise a set of numbers.... is to look at pictures of those numbers” (p.9). Tufte (1983) is convinced that the use of art to “capture the essential spirit of the data” has no place in graphical design because it “flirts with ambiguity” (p.112). He terms this “chartjunk”, and argues that “no information, no sense of discovery, no wonder, no substance is generated by chartjunk”. Tufte (1983) further illustrates his view of the function of graphs by referring to the following statement on painting:

Painting is special, separate, a matter of meditation and contemplation,  
for me, no physical action or social part.  
As much consciousness as possible.  
Clarity, completeness, quintessence, quiet.  
No noise, no schmutz, no schmerz, no fauve schwärmerei.  
Perfection, passiveness, consonance, consummateness.  
No palpitations, no gesticulation, no grotesquerie.  
Spirituality, serenity, absoluteness, coherence.  
No automatism, no accident, no anxiety, no catharsis, no chance.  
Detachment, disinterestedness, thoughtfulness, transcendence.  
No humbugging, no button-holing, no exploitation, no mixing things up.

(Reinhardt, 1955, cited by Tufte, 1983, p.122)

He concludes that the task of the graphical designer is to give visual access to the subtle and the difficult (p.191). Yet, in all these explanations, no acknowledgement is given to the task of interpretation, and the obvious reliance placed on the unbiased view of the designer to provide the required information.

Recent accounting research has shown that the use of graphs to disclose information in company annual reports (in the US and the UK) “represents a significant dimension in financial disclosure management” (Beattie and Jones, 1997, p.33). These writers regard the provision of voluntary information (such as graphs) as an opportunity for management to “set their own financial reporting agendas” (p.34), as well as providing information that is easier to read and remember. They conclude, however, that “graphs enhance

the potential to communicate rather than merely to report" (p.61), and note that because graphs attract the reader's attention, this could result in some "impairment to communication" (p. 61), because graphs "frequently display bias" (p.63). These authors recommend considering a set of guidelines for graphical principles.

The use of "essay and pictorial" portions of the annual report has been found to be useful, and less difficult to understand, and although not found to be a "credible way to communicate to shareholders", it is still recognised as providing "a forum to communicate information to shareholders in a language they understand" (Anderson & Epstein, 1996, pp.56-57). Prior psychological literature supports this view by showing that pictures are easier to remember than words, and that "it does not appear to matter whether meaning is extracted from a picture or its verbal label" , meaning that "a picture can serve as a word-in-context" (Nelson and Castaño,1984, p.12) .They also note, however, that "pictures can be drawn in an infinite variety of ways to impart an infinite variety of meanings aside from the core meaning" (p.11), but do not follow this point further. However, recent consumer research argues that while high-imagery words are recalled better than other words, "imaging is a process that consumes mental resources, and can compete with other perceptual tasks" , and "undermines message learning" (Unnava, Agarwal and Haugvedt, 1996, p.87). This has important implications, because, if the use of imagery can distract the reader from comprehending the message intended, the use of such imagery must be questioned if it is to be used either as a clarifying or informative medium.

Studies on imagery in annual reports while rare, are becoming more prevalent. For example, McKinstry (1996) investigated the use of imagery in one company for a period of more than fifty years. He found that there were direct links between the profitability of the company, the political environment both internal and external, and the various types of imagery employed by the company in the annual report. He concluded that the annual report is a "self-written report card" which "supersedes, both in volume and position, the audited accounts". (McKinstry, 1996, p.110). Further along these lines, Graves, Flesher and Jordan (1996) find that imagery used in the annual report indicates a trend in society which leads them to conclude that the use of imagery in annual reports (of American companies) "serves the rhetorical purpose of arguing the truth claims of those reports and the social constructs they represent". Using pictures in a persuasive

manner (much like television entertainment) is not trivial, but "*trivializing*" (p.84, italics in original). The quality of U.S. intellectual life and Americans' "very ability to think" is thus under threat (Graves et al., 1996, p.84). They forecast a future, where people are "controlled by inflicting pleasure" (p.84). This view supports the notion of imagery fulfilling the function of propaganda.

Pratkanis & Aronson (1992) hold this view regarding propaganda:

As more and more propagandists use simplistic persuasion, the competitive urge to use simpler and simpler persuasion devices increases. As simpler and simpler persuasion devices are used, people become increasingly less informed about civic matters. As the populace becomes less informed, the propagandist must use even more simplistic persuasion devices. The result is an ignorance spiral - a cynical populace bombarded with more and more thoughtless propaganda that they have less and less skill and inclination to process and ability to understand' (Pratkanis & Aronson, 1992, p.265)

An ignorance spiral is not the only possible result from the continual bombardment of images through whatever medium. Ewen & Ewen (1992) suggest that as a "cacophony of images becomes the norm", and "products, ideas, social problems, politics come at people at the speed of light", confusion results, which "encourages people to retreat into a cautious inactivity - a defensive shell of indifference" (Ewen & Ewen, 1992, p.201). Apathy, as well as ignorance are the downsides to the wonderful, stimulating potential of the image to inform. In addition, as the media tend to package truth in a form "*that will sell*", this "overrides considerations of fundamental issues, or long term social objectives" (Ewen & Ewen, 1992, p.212), as well as elicits "conditioned responses", requiring the suppression of thought, which these authors acknowledge, is an "implicit dimension of cultural life". This idea has already been discussed in the form of rule following behaviour as a means of achieving social order and stability with reference to the article of Moore & Tumin (1949). Further, Ewen & Ewen (1992) demonstrate that using the image to depict consumer products appears to represent the existence of freedom of choice in the market, or even of action and thought in society; but actually this "threatens to undermine the practice of democracy". They use the following quotation:

Free election of masters does not abolish the masters or the slaves. Free choice among a wide variety of goods and services does not signify freedom if these goods and services sustain social controls over a life of toil and fear (Marcuse, cited in Ewen & Ewen, 1992, p.220).

Ewen & Ewen (1992) suggest that this potential domination by the image-makers who use imagery to construct and control social attitudes can be overcome by "the emancipating powers of critical thought and meaningful action" (Ewen & Ewen, 1992, p.220). Yet, as it has already been discussed, the achievement of critical thought is not an easy task if one relies upon education curricula, particularly that of accounting. And there is always the problem of an unwitting conditioned response. A more creative solution to viewing imagery could be proposed by returning once again to the works of Ruskin:

The whole technical power of painting depends on our recovery of what may be called the *innocence of the eye*; that is to say, of a sort of childish perception of colour, without consciousness of what they signify - as a blind man would see them if suddenly gifted with sight (Ruskin, cited by Shattuck, 1984, p.347, italics in original).

Shattuck (1984) discusses the possibilities of discarding a chosen critical method (or "armed vision"), in favour of the "innocent eye" of Ruskin, also termed an "impeccable naiveté" by Baudelaire (cited by Shattuck, 1984, p.354), and suggests that this is the way one can retain a sense of wonder, exploration and discovery by looking at pictures. It is the view of this writer that by looking at how companies use imagery in annual reports in this way, one can avoid being ignorant and vulnerable to a conditioned social response, and thus also avoid being dominated and controlled by the representations made.

## 5.5 *Conclusion*

While acknowledging that an attempt to avoid ignorance when looking at pictures in company annual reports is worthwhile, it must also be acknowledged that, after the above discussion, the presence of ignorance appears to be unavoidable, whether it be in a market situation, or in society in general. The functions of ignorance can be traced to the fundamentals of societal structures, and maintenance of ignorance of members of society can be seen to contribute to order and stability. Companies are a relatively recent phenomenon in society, but nevertheless appear to rely on the presence of ignorance for their very existence (via the maintenance of profits). One function of imagery in company annual reports appears to be ensuring that this ignorance is maintained. Examples of this have been found in the literature, where it has been suggested that imagery is used to establish the identity of the corporate personality in the minds of consumers, or to construct social attitudes about company activities by keeping employees obeying the rules of the "experts", or by suppressing critical thought of the whole American

nation, or even by keeping the rest of society in an aspirant status and maintaining a privileged position regarding information by keeping society unaware of alternative avenues of consumption, or systems of organisation. All of these examples have been suggested as possible functions of the imagery in company annual reports, and all appear to make the image responsible for this ignorance. One is left with a sense of bewilderment over the wide range of functions the image. All of these functions serve to show, however, that it may very well be naive to expect imagery in annual reports to faithfully or factually represent any aspect of corporate activities, or indeed any aspect of society. Yet, still, corporations present images in their annual reports, and expect their audience (i.e. society) to judge them by the content of such images. Thus it is important that companies know what society expects them to be putting in these images. In addition, it is important for society to know what values companies are espousing, as, in a "free market" global economy, it is corporate action that will dictate the standards of living for the future.

## SECTION THREE RESEARCH RESULTS

### CHAPTER SIX - RESEARCH METHOD

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#### 6.1 *Research Method*

Imagery, it must be noted, is a voluntary portion of the annual report. Other areas, such as the financial statements, and shareholder statistics, voting sheets etc., are statutorily required. There has never been any legal inducement to include imagery of any type in an annual report. In order to define the territory, then, especially for an *initial* study of the imagery in annual reports, there must be included some consideration of not only the physical area of imagery within the annual report, but also what can be understood by studying the message intended, or representations made. Thus the descriptive and critical aspects of this research, as required by the political economy of accounting approach, are addressed by answering the following two questions:

Question One: To what extent is imagery used in New Zealand company annual reports;

and

Question Two: To what extent do New Zealand companies reveal their values through the use of imagery.

As already stated in Section One, the first question deals with the descriptive aspect, which then provides a database from which a critical assessment can be made about the values that inspire and underlie company activities. This critical aspect is reflected in Question Two. It must be remembered that both the descriptive and critical parts of this research are undertaken from the underlying normative position that companies have a responsibility to report these values. Separation of the analysis into the two parts also follows from the distinction made by Gray et al., (1995b, p.84) between "quantitative", and "declarative" statements made within a social report.

### 6.1.1 *The Sample.*

The period chosen for analysis was 1970-1997 (28 years). This particular time frame was chosen because it was intended to see if trends could be discerned regarding the incidence and type of images used by companies. Another reason was the availability of annual reports. Before 1970, many New Zealand companies were not statutorily required to file their reports with any regulatory body. Indeed, on enquiry with the New Zealand Stock Exchange (NZSE), it was found that annual reports were available in abundance only from the late 1980s. After an exhaustive inventory of annual reports held by the Massey University library, it was found that most annual reports were held there for 25 companies from 1970. The total number of New Zealand companies listed with the NZSE (excluding mining and energy companies) was 381 in 1970, 249 in 1980, and 126 in 1990. Thus the sample percentage obtained was considered acceptable at first, since a minimum of 6% coverage was anticipated with this number of annual reports (even though it was restricted to those for which annual reports for the period were available). Another difficulty arose, in that there was a problem finding companies in New Zealand that were still in existence in some form or other for the whole 28 years. It was found that it was necessary to further reduce the sample size for two reasons. The first reason was that only a few companies covered the whole of the time period. The second reason was the restriction of time available to measure and analyse the imagery content of some annual reports in order that the research could be completed by the required dates. The sample was eventually restricted to those companies which covered the whole of the period under review, or alternatively covered a significant number of years throughout the period. Thus, the final sample was nine companies (Refer Appendix 1), some of which did not cover fully the time period required, due to the company being sold overseas. In other cases, companies were acquired, merged or absorbed by other New Zealand companies, and in these cases, the new company was then analysed. In one case, Waitaki International Limited was taken over by a farmer co-operative, Alliance Group Ltd. Although the equity structure of the company was different from other companies (in that shares are not traded on the New Zealand Stock Exchange), it was decided to include this in the sample in the interests of continuity. It was found that the format and structure of the Alliance annual reports did not differ significantly from those of other companies, in that they used imagery, and conformed to GAAP. Although the sample only covered nine companies in any one year, a total of 239 annual reports were analysed during the study.

### 6.1.2 *The Analysis*

Question One: To what extent is imagery used in New Zealand company annual reports;

This question was addressed by analysing each annual report as follows:

- the pages were counted
- the number of pages of statutorily required financial accounting information were counted. This included the Financial Statements, the Notes to the Accounts, and the Audit Report.
- the images were measured (in square centimetres), and areas were classed as photographs, sketches or drawings, graphs, and logos. Photographs were then further categorised as: directors, technology (including machinery, methods of product analysis, research and development), products (including consumers using products), employees (e.g. training, or simply "on the job"), scenery (where no particular reason for the picture or scene was given), social contributions. Social contributions were classified as: family, lifestyle improvements, young people, old people, safety, health, education, arts, law/social order, transport, communications, sport, environment. A sample of the analysis sheet completed for each annual report is shown in Appendix 2. These categories were decided upon with reference to "The 1978 Ernst & Ernst social disclosure categories" discussed by Gray et al. (1995b), but were changed slightly to suit the categories that were found to be most represented by imagery. For example, the "energy" category was changed to "technology", as it appeared that many companies treated energy conservation as a question of technological advancement, and this was represented by pictures of new and/or updated machinery. In addition, community involvement and environmental issues were all included under the category of social contributions, along with sport, arts, health and other "society-as-a-whole" issues, as these were often found to be compartmentalised pictures within the annual report. It must be noted here that the benefits implicit in any such content analysis as described by Gray et al. (1995b, p.80) are assumed in this study, in that "the extent of the disclosure can be taken as some indication of the importance of an issue to the reporting entity". It is not assumed, however, that the importance of the issue is in direct proportion to the area devoted to it.

Question Two: To what extent do New Zealand companies reveal their values through the use of imagery.

One of the main difficulties in any investigation of social reporting is measurement (Mathews, 1993, p.58; Gray, Owen & Maunders, 1987, p.13). However, Klein (1977, p.14) identifies limitations of measurement of social costs and benefits, but notes that often, “subjective measures will be more valid and reliable” and this depends on methodological ideals. A PEA approach explicitly requires a value judgement to be made, which influences both the descriptive and critical stages. Klein (1977) states further that “measurement should be economical; it should be sufficiently precise to distinguish between alternatives” (p.14). In the context of this proposal, this is taken to mean “distinguish between images, or, representations”.

The method by which images are to be distinguished in this study has been influenced by a decision theory from organisational sciences. It is aptly named “Image Theory”, and is based upon the premise that organisational decisions are based upon a series of images that correspond to values, trajectories, and strategies. The theory focuses on individual decision making by managers within the firm, but in this proposal, it is to be applied to the company as a whole. The “Value” image serves as an ideal to which decisions are being directed. It encompasses the morals, beliefs or principles of the company, and can be regarded as *normative* or *ought* statements. The “Trajectory” image consists of the goals or landmarks which lead toward the company values. Decisions made from this image can be regarded as more action based, and focus on what has been done, what is to be done, or what is being attempted to be done. Thus it can be seen to have *descriptive* qualities. The “Strategic” image refers to decisions that are made after evaluating the action taken. It relates to policy formulation (in order to get to a desired state such as the Value image) and forecasting decisions. Thus it can be seen from a *critical* or *evaluative* perspective.

(Beach, 1990, pp. 23 -30)

There are distinct parallels between the tenets of Image Theory, and the PEA approach. Although it must be made clear that a direct application of Image Theory is not being attempted here, ideas gained from its structure can be applied in order to categorise the types of images found in company annual reports.

A schema was prepared which applied Image Theory to company images as follows:

- Images that depict or represent a Company Value which contributes to social welfare.
- Images that depict or represent how a company has achieved, or is working towards, a Company Value.
- Images that depict or represent how the company will be acting in the future to achieve a Company Value; or how it considers it has fared in relation to a Company Value

By observing the images in company annual reports, the collected data then provided some insights of:

- trends in the type of values (if any) that companies are depicting by means of imagery.
- how companies represent their actions by the use of imagery.
- trends in what companies represent to their stakeholders about their ability to achieve their goals, and their ability to evaluate their actions in relation to their goals. An attempt was made to relate this data on company values to societal values (i.e. the social fabric) in New Zealand with reference to a few relevant articles from the literature.

### 6.1.3 *Limitations*

#### *Scope*

The power of the image to invoke an emotive response, described by Yeats above, is not in dispute here. However, Furbank (1970) discusses in detail the issue of mental imagery, and its application in literature. He states, "you can never learn anything from mental images, since they are merely a way of presenting to yourself what you already know" (Furbank, 1970, p.13). Although it is acknowledged that the mental imagery of users invoked by images used in company annual reports is indirectly a part of this study, by reference to the possible impressions and influences of such images, mental imagery as a psychological phenomenon was not specifically addressed due to the central fact that it cannot be disputed. Furbank explains "...if you want to pretend to yourself that you are seeing in colour, who is to stop you? No one can contradict you... they can't say "no, no, you're *not* pretending to see that colour". "(Furbank, 1970, p.16).

While it is acknowledged that there is a growing body of knowledge on the psychological issue of mental imagery, it is treated as beyond the scope of this study. Thus, only that which the company is attempting to represent is being investigated, and not the perceptions of the various users. For further clarification on this point, refer to Fig 1., where the diagram constructed by Mills is shown. Only the "representation" side of the artistic process has been specifically dealt with by this study.

Further, while there is ample scope for a study of the literary forms of imagery in company annual reports (refer, for example, to Walters-York (1996) for a study on metaphor in accounting texts), it also is not dealt with here, but put aside as an area for possible future research.

#### *Other Limitations*

- This study will be limited by the initial normative assumptions made regarding what companies should be representing by imagery. It is hoped that the limits that these assumptions have imposed on this study, as have already been adequately discussed, add value to the political economy of accounting perspective.
- In addition, in studies considering wide topics such as art, value and social order the incomplete knowledge of the researcher will always be a limiting factor. In addition, the researcher's perceptions regarding the images, and their content will influence the categorisation of the images.
- Availability of annual reports is also considered to be a limiting factor, which also has influenced the size of the sample. It is assumed that, for an exploratory study, this sample is large enough to enable some preliminary conclusions to be reached.
- Time constraints were also a limiting factor.
- The assumption inherent in any content analysis may not be valid, in that social contributions are lesser areas by physical measurement, but may be of more importance due to (e.g. dramatic) impact of a relatively small piece of area.
- The images were measured by the actual areas covered, yet the financial statements were measured by pages, leaving the blank spaces in the pages occupied by financial statements unmeasured. While this point may not be relevant, it may still have affected the comparison of areas of these two areas of annual reports.

## CHAPTER SEVEN - RESULTS AND ANALYSIS

### 7.1 *The Extent to which Imagery is Used*

*Question One: To what extent is imagery used in New Zealand company annual reports;*

A complete set of the quantitative data collected can be viewed at Appendix 3. This is a complete summary of the measurements obtained for each annual report (gathered by means of each individual worksheet shown at Appendix. 2). The worksheet also allowed space for data regarding income and total assets to be collected at this stage, which may be used for future research. From this summary, measurement averages were able to be calculated, and then graphed, in order that trends could be identified and highlighted.

The first graph extrapolated from the data is shown in Appendix 4. Averages were calculated for the total number of pages contained in annual reports for the nine companies, and this was compared with the number of pages of financial statements, and the number of page equivalents of imagery (obtained by dividing the area of imagery by the page area). It can be seen that the average number of pages of annual reports has increased from 24 in 1970, to 97 in 1997. A comparison can be made to a limited extent with the results of Lee's 1994 study of UK company annual reports, and is shown below in Figure 3.

Figure 3. Comparison of number of pages found in annual reports.

<b>TOTAL PAGES</b>	<b>1965</b>	<b>1970</b>	<b>1978</b>	<b>1988</b>	<b>1997</b>
Lee (1994)	26		36	54	
Current study		24	34	56	97
<b>IMAGERY PAGES</b>	<b>1965</b>	<b>1970</b>	<b>1978</b>	<b>1988</b>	<b>1997</b>
Lee (1994)	3		7	10	
Current Study		2.5	9	8	12

As can be seen, the trends of page counts for annual reports and imagery are similar over comparable time frames for New Zealand and UK companies. Although the number of pages has been steadily

increasing since 1970, the graph at Appendix 4 shows a marked increase since 1993. This is assumed to be attributable to the impact of the Financial Reporting Act (1993), because pages of financial statements have increased markedly from that date also. Annual report page counts have increased by 304% since 1970. In comparison, imagery page equivalents have steadily increased by 380% since 1970. Lee(1994) states that "something substantial was taking place in the annual reporting of 25 UK companies between 1965 and 1988" (p.225) because page counts of imagery in these reports had increased by such a large amount. He concluded that it was because "there was a significant use by management for purposes other than to satisfy regulatory requirements for statutory disclosure" (p. 226). This may be so for the period Lee (1994) studied, and it is similar to the results found in New Zealand over the period 1970-88, but it can be seen by the graph and the table at Fig 3 that since 1988, pages of imagery have not increased at the same rate as the total number of pages.

The graph at Appendix 4 also shows that average number of pages of imagery, in every case, was less than that of the financial statements. In only six individual annual reports did the amount of imagery pages exceed that of financial pages (Challenge, 1976, 1977, 1978; Emco Group, 1976; Brierleys, 1986; Wilson & Horton, 1996), although in two of these cases, areas of financial content and imagery were very close to being equal. Even though imagery may have increased page counts at a faster rate over the period 1970-1988, trends shown in this graph suggest that with regard to area, on average, the annual report still has a predominantly financial emphasis.

Areas of imagery as shown in Appendix 5 have increased generally over the 28 year period, but with marked variations in later years (from 1992-1997). When looking at the comparative average percentages of area of annual reports (Refer Appendix 6), however, the percentage area for financial statements is always larger than that of imagery. As a proportion of the annual report, financial statements appear to range between 30% and 40%, in earlier years, reaching a high of 38% in 1981. A sharp increase occurred between 1993 and 1996, declining to around 40% in 1997. This trend is currently unexplained. Imagery has ranged between 7% and 15%, generally increasing to a high of 18% in 1978, but having a general decline from 1984 to a low of 9% in 1992 . A sharp increase in imagery percentage occurred in the period 1993 - 1994, but has declined to hover around the 12% mark since then.

Perhaps the most striking feature that these three graphs highlight is the variant nature of the area devoted to imagery in an annual report over the period studied. Although it may generally be observed that with regards to area, imagery as a total is increasing, it can be seen that as a percentage of the annual report, imagery remains reasonably steady. Consistent with comments by Lee (1994) and McKinstry (1996), however, imagery may appear to be declining in the 1997 year. As a percentage of the annual report, on average, imagery is always of a lesser amount than financial statements. Although, as previously stated, the amount of space devoted to imagery cannot be aligned necessarily with the degree of importance, this trend was not expected. Lee (1994) found that pictorial presence in many companies exceeded that of the financial and narrative sections, for example, 12% of companies in 1965, 44% in 1978, and 20% in 1988 (p. 229). This is also reflected in a longitudinal study of just one company (Burton Plc), for, according to McKinstry (1996), "management's self-written report card" supersedes both in volume and position, the audited accounts" (p.110). While this may be so for the total of non-statutory material, it is certainly not so for the amount of imagery used by New Zealand companies selected in this study. McKinstry (1996) is concerned that the imagery and design content "is capable of over-riding in the minds of readers the numerical and other statutory messages now relegated to the rear of annual reports" (p.110), but found it unlikely for the reason already presented, in that analysts do not find this information credible. Also, the use of imagery as a proportion of the annual report has declined in recent years due to what McKinstry calls "a better balance", and a trend away from the over-elaborate". (p.110). Lee (1994) also attributes a similar finding to "a move back to the traditional narrative emphasis" (p. 229). However, the current study shows trends over the 28 years reflecting an increasing use of imagery in the 1970s, steady over the 1980s, and becoming rather erratic during the 1990s. The graph at Appendix 8 shows perhaps the beginnings of a declining use from 1994, again perhaps because company resources were devoted to meeting the requirements of the new Financial Reporting Act (1993). Although areas are markedly variable, with a level of 12% in 1997, imagery could be considered only of a reasonably minor portion of the area of an annual report.

A comparison was then made of the various areas devoted to the different types of imagery identified, and graphed as shown in Appendix 7. As can be seen, photography is used far more than any other type of

imagery, comprising an average of around 600 sq. cm. in 1970, and increasing to between 3000 - 6500 sq. cm. in the period 1991 - 1997. A vast increase in the use of photography has thus occurred, especially in the last 5 - 6 years. Although the exact numbers were not previously known, this trend was expected, and is the reason why photography as a medium was categorised further. The other types of imagery all appear to be used in varying, although small quantities, with logos being used the least (no logos were present in the last two years). A small increase in the use of sketches and graphs can be seen for 1996 and 1997.

As an aside, Appendix 8 shows the amount of imagery companies have used, on average, for the period 1970-1997. Fletcher Challenge Ltd (and its varying predecessors) has used imagery the most, with NZI the least. There are many possible explanations for this, for example, industry, profitability, or size. As causations and correlations between variables such as these were not part of this study, possible explanations may be an area for further research.

When looking at the categorisation of photography in Appendix 9, it can be seen that products feature the most with regard to area. Technology and directors' photos both appear to be the next most featured category, with photos of employees, social contributions, and scenery less used (all less than 1000 sq. cm.). Spaces devoted to assets and company identity are not large on average. As a percentage of the total annual report area (Refer Appendix 10), products also feature as the predominant category, ranging between 2% and 8% of the total area, with directors and technology being the next most predominant category presented. Lee (1994) found that product-related disclosures had a majority of annual report volume for 32% of companies studied in 1988. This contrasts markedly with the results of the current study, where no companies exhibited a majority of volume related to products. Lee (1994) concluded that his results emphasise the change to a consumer focus. This conclusion is not excluded by the results of this study, however, as again, area may not necessarily be related to impact.

The graph shown in Appendix 10 also shows a distinct decline in photography as a percentage of area in all categories, since 1994. This may be explained by the huge increase in annual report area due to increases in narrative disclosure, as both financial and imagery areas are declining in recent years as a percentage of the annual report.

### 7.1.1 *Summary*

By measuring the imagery content of annual reports, an indication has emerged regarding how much is actually used when compared to the total area of an annual report, and the financial statements. It is seen that imagery, on average, always comprises far less area than financial statements. Of the imagery used, however, photography is the most used medium, of which products, technology, and directors dominate as subject matter. It is to these particular subjects that the examination now turns, where, by analysing the subject matter of the photographs in annual reports, exactly what the company represents as values is expected to be exposed.

## 7.2 *The Use of Imagery and Company Values*

*Question Two: To what extent do New Zealand companies reveal their values through the use of imagery.*

This part of the examination begins with each major category of photography identified by part one of the descriptive study for each company: products, directors, and technology, and describes and discusses instances of where companies have attempted to include company values, or attempted to make comments about some relationship between company values and social values. Imagery categorised as social contributions is also discussed in conjunction with products, directors, and technology, if appropriate. Where applicable, sketches and other imagery that support the discussion are also identified.

### 7.2.1 *Products*

*1970 - 1979*

Bowden (1996) describes the period 1960-1974 as the "lost comfort zone of New Zealand economic history" (p.10). The exchange rate was fixed, there was a good chance that the New Zealand dollar was overvalued, and consumers wanting goods from overseas had to wait, due to lack of "overseas funds". Oil shocks of 1973 and 1979 contributed to a strong inflationary pressure. The range of consumer goods was not large, mainly consisting of production from a strong local industry base. Thus competition would not have been considered to be tough. Of the companies sampled, Alex Harvey Industries Ltd (AHI) and J

Watties Canneries Ltd (Watties) can be said to be two of these local industries operating during these times. Photographs of products in their annual reports of this era were found to consist mainly of simple arrangements of a particular range of products produced by the company. In one case these were called "illustrations" (Watties, 1972), and that is exactly what they were. Preston et al. (1996) refer to this type of image as indicative of "mundane documentary" imagery (p.113), which is intended to simply provide a realistic reproduction of the likeness of the product (Refer to Plates 1a & 1b). Photographs appeared often in small frames arranged in symmetrical layout on the page. Full page photography was unusual, and most used colour, although black & white photography also featured, especially for older photographs. Colours ranged from orange and brown to green, and can be considered fashionable colours of the times. Little reference appears to be made in the imagery of the seventies as to the connection between their particular product, the company's aim and the advancement of society as a whole. It is by implication that company identity and company profitability are aligned directly with their product. One example of this era was found, however, from AHI, where, as a caption to a photograph of a colourful range of bottles it was stated "Glass products for the nation" (AHI, 1973) (Refer to Plate 2). Although rather obscure, the connection between supply of coloured bottles and a nation's need is attempted by attaching this caption. Ruskin's "reason to die" for the merchant may be relevant here.

Other companies examined during this time frame may not necessarily be classed as "local industries", but also made the connection of the product and the nations welfare, if only by implication. Some products by their nature are difficult to present in photographic form, insurance being a good example. In 1970, New Zealand Insurance Company Ltd (NZI) depicted a tanker which had exploded in 1969, which it had insured. However, the picture was of the tanker in good health, sailing in mid-ocean, and neither of the sinking ship, nor of the resulting inevitable oil slick. Showing pictures of disaster scenes before they happened appeared to be common, as again, in the 1971 annual report there was a picture of a bridge in Melbourne which collapsed, killing workers, and causing much damage. The picture was of the bridge under construction before the collapse. Insurance companies make money from their product as long as disasters, mishaps and losses don't happen, i.e. from only the possibility of disasters. The product, for insurance companies, is only an illusory concept, based on a negation and ignorance of the future. Pictures of subsequently damaged or destroyed insured items in good shape thus serve a rhetorical purpose, in that the company

only wishes to show possibilities, or the items at risk. The company profits from the risks taken by others, and this is the reason why “before” pictures are shown, and not “after”, as if trying to depict the product by “cashing in” on some fantasy of the continued existence of the achievements of others. Reality is definitely not a matter of fact in these photographs. Thus it could be difficult for an insurance company to show how its product directly contributes to national well being. NZI overcomes this by blatantly using photographs of the achievements of its client base (which are all insured by NZI) to depict its own product. For example, the Malaysian economy benefits by NZI insuring its rubber plant industry (NZInsce, 1974), the ceramics trade which provides growth in the Philippine economy is insured and financed by NZI (NZInsce, 1975), a plant site of NZ Steel is insured by NZI (of which NZI is also a shareholder)(NZInsce, 1975), ships owned by NZ Shipping Corporation benefiting by finance provided by NZI (NZInsce, 1979). Instances of pictures of actual claims are rarely shown during this era. In the 1976 and 1977 reports, importance was placed on the long association NZI has had with insurance in New Zealand, having first incorporated in 1859, and imagery was shown in both these years relating to contemporary points of interest in the insurance business of the previous century.

Brierley Investments Ltd (BIL) is another company that has difficulty in depicting its product and the benefit it provides by photographs. From its formation BIL was not product oriented in the sense that it did not sell items for consumer satisfaction. BILs mandate was “working with people to create wealth” (BIL, 1976, 1977), and this wealth was created mainly by purchasing undervalued companies, and selling off the assets individually at higher prices. This process is known as asset stripping, and R. Brierley, founder and then managing director, established a reputation in the seventies as a “corporate raider”, on the lookout for any company that was under utilising its assets. This reputation was celebrated in the annual report, where, newspaper headlines were reproduced portraying Brierley as a “take-over wizard” (BIL, 1978). The burgeoning inflationary environment was also an advantage to businesses such as these, so that products took a background place to the often complicated nature of company acquisitions and sales. Company progress was more likely to be depicted by non-photographic means: stylised arrows pointing upwards and fireworks impressions (representing phenomenal growth), adorned the covers of many BIL annual reports of this era (BIL, 1971, 1972, 1974). Products of subsidiary companies were usually of the “mundane documentary” kind, but many were also depicted by stylised sketches and paintings, for example, those of

a winery in Australia which was an early acquisition. In one case, subsequent acquisitions were depicted as a bunch of grapes, each grape representing a subsidiary company (BIL, 1979). Again, there appeared to be no explicit connection made between company activities, company values or aims, and social advancement. It appears as though the implied neo-classical assumption of the social benefits of simply making a corporate profit were enough to justify the resulting great social upheavals and uncertainties regarding employment caused by company take-overs. (No pictures were ever found in any annual report of these "bad news" occasions.) Yet, a quiet sentence found inside the front cover of one BIL annual report explaining the company relationship with ballet is of interest:

Our recent commitment to a 5 year sponsorship of The New Zealand Ballet Company reflects our belief that an organisation which has achieved a measure of success in the commercial life of the country can, and should, make a contribution to culture and other worthwhile community activities (BIL, 1979).

This sentence was placed beside a black & white sketch of two ballet dancers in a dancing pose. There can be no doubt that the image is meant to represent the forthcoming 5 year relationship of the company with the Ballet Company, but does it represent more than that? It is interesting that a such a statement (one that very nearly reflects the normative stance of this study) should be found in the annual report of a company that typically stands for maximisation of shareholder wealth. In this one sentence, the political and economic ability of company to dictate exactly what area of society is to receive a share of its profits (and by a decision on which there appears to be no vote) is explicitly portrayed. Depicting the particular area chosen by the company (i.e. the arts) by a picture of an example of what can be achieved by this support (i.e. graceful ballet dancers), is the first example found in the seventies of what this study was looking for (refer Plate 3). By knowing that shareholder funds were to be invested at company discretion in non-profitable enterprises is a company value that BIL stakeholders should be aware of, not only for the economic "return on investment" decision to be made, but also for the political decision of whether the stakeholder wishes that particular community project to be supported or not. How else is a stakeholder to decide what to vote for? There is evidence of a conflict of values represented in an annual report by the use of this type of imagery: i.e. shareholder vs other stakeholders

In the 1970s, companies such as NZ Refrigerating Company Ltd. (NZ Refrig), and Waitaki Industries (merged with NZ Refrigerating in 1976 to form Waitaki NZ Refrigerating Co Ltd (Waitaki)) represented the

rural base which the NZ economy relied upon for export. Gould (1982) has shown that in this decade, farming incomes were being squeezed due to not only reducing export prices, but also due to increasing processing costs. Investments in farm development also reduced, and thus the contribution that farming made to total private income. In addition, there was a distinct trend for New Zealand, as with most non-industrialised post-war countries, to move away from dependence upon primary industry sourced income, towards a more industrial diversification. Increasing demands for economic and trade liberalisation were being made, as New Zealand was required to adapt to Britain withdrawing its previously dependable markets, economic stagnation, inflation, and rising unemployment (Kelsey, 1995). Despite these circumstances, farmers were still receiving the benefits of tax write-offs and subsidies, most notably, supplementary minimum prices (SMPs). Terms such as farmers being the "backbone of the country" maintained the demand and legitimacy of products provided by a company dependent upon New Zealand's traditional rural economic base, again, if even by implication. Photographs in annual reports of this company echoed the traditional values that prevailed, despite the growing threat that industrialisation and commerce presented. Scenes of picturesque, peaceful pastures with sheep grazing, and romantic looking droving scenes were depicted (NZ Refrig, 1973), and also historical portrayals of meat production in the 1800s, hinting perhaps at suggestions of "look how far we've come" rather than "look at us now". (NZ Refrig, 1972). Photographs of products, in particular, were given little priority in annual reports of New Zealand Refrigerating Co. Ltd until the late 1970s. In 1970 and 1971, photographs of products were not present at all, with only 3% of the total annual report area being devoted to products in 1972. Yet, products were 18.9% of the total annual report area in 1978, and 14.6% in 1979. The average for these years for all companies studied, was 7.5% and 7.2% respectively. The subject matter of these photos was of the exportable nature of the product, for example, containers being loaded onto ships, NZ mutton being marketed in Japan, lambs carcasses being cut in Germany (Waitaki, 1978), and also details on the variety of products, and by-products, e.g. leather, tennis racquet strings, sausages, soaps, filtering agents (Waitaki, 1979). All such photography could be described as being "documentary" type, and no explicit attempt to persuade could be attributed to these photos, apart from that suggested by Scott (1994) in her theory of visual rhetoric. The question of persuasion, however, must arise not only due to the circumstances of the rural export industry at the time, but also because of the sudden predominance of product photographs in the years 1978 -1979.

Another feature of the changing economic base of New Zealand was the number of company mergers happening at the time. An example of this is indicated by the changing structure of the company which was eventually to become the largest company in New Zealand, Fletcher Challenge Ltd. One of its forming companies, Wright Stephenson & Co Ltd was described in its 1972 annual report under the heading "Our Place in the Economy" as: "one of New Zealand's largest and most diversified organisations. As such, the group has economic value to the entire community". This statement, and various numerical indications as to the remarkable size of this company regarding clients, employees, shareholders, taxes, finance and economic activity leads one to conclude that size alone, in these times, was all that was needed to justify value to an economy and to a community. Under the prevailing fragility of the NZ economy, it was size that ensured survival, and thus the continued existence of jobs, services, the tax take, and company profits via sales. Thus the whole of New Zealand could be seen to have a vested interest in the survival of expanding large companies, and the annual report of large companies such as Wright Stephenson Co. Ltd maintained and strengthened this view. The above-mentioned statement was placed alongside a photograph of 5 men in overalls, boots and gloves, loading meat filled sacks either onto, or off a huge pile of sacks. This supposedly represented all those items mentioned by text, although there was no caption to specifically make the connection. Here, the link between company products and the nation's welfare was made more explicit than in other annual reports of the era. In 1974 the company changed its name to "Challenge Corporation", and in 1976 displayed a most unusual annual report. It was described by the Chairman, R. Trotter, as a "magazine-styled annual report which aims to communicate what we are doing and where we are going in a more meaningful manner", because "(b)etter economic understanding by the man in the street would benefit New Zealand". The report was to be sent not only to shareholders, but also to staff and sectors of the public. This was accompanied on the same page by a "Statement of Purpose" which described company objectives with regard to Business, Market standing, Productivity, Staff development, Social Responsibility and Profitability. It is clear from this that Challenge Corporation, as far back as 1976, regarded the annual report as a communicative document aimed at a wide audience, and with a diverse range of strategies not just concerning maximising profits for shareholders. The annual report contained an essay on social responsibility as a key business area by John Humble, an "internationally renowned" management consultant; an article on the benefits of staff development and training; an essay on the

relationship between education and business by Sir Frank Holmes, an “authority on economics and education”; an interview of the financial controller by an economics journalist; and concluded with an essay on a justification for company profits, supposedly reacting to the \$11.6 million profit made by Challenge in the 1976 year. As well as the significant narrative content, each essay was headed by a photograph of the author, in black and white. In total, imagery represented 34% of the annual report, exceeding the area devoted to the financial reports. Product photos represented 17.4% of the total annual report area. This annual report was remarkably different from any annual report of the era, in that an attempt was made to explicitly place the company in a societal perspective, either by discussing the merits of social responsibility, or trying to justify the existence of huge company profits. Other companies appeared not to consider debating these issues at all. Challenge Corporation annual reports for 1977 and 1978 were also in a magazine format, and contained articles that could be of interest to society in general, for example an essay on the future of New Zealand by Professor Duncan, the then Chairman of the “Commission for the Future” (Challenge, 1977) and an essay on energy conservation by the corporations energy manager. Product photos represented 15.7% of total area in both 1977 and 1978. Issues of governance such as Lee (1994) has raised must also arise here, as, the area of imagery in the annual reports for the years 1976 - 1978 represents more than the area of statutorily required information. The power of a company such as Challenge Corporation, to significantly influence the way of life for New Zealand society, even in the 1970s, was evident by not only the narrative and financial portions, but also by the sheer volume of imagery present in its annual report.

For Dominion Breweries Ltd (DB) in the 1970s, questions as to social implications of its product occurred only to the extent that quality of product was important, and that the product was “meeting consumer demand” (DB, 1977). These issues were represented in the earlier seventies by concentrating imagery on what can loosely be described as “documentary” photographs of glasses, bottles and barrels of beer, wine and spirits, using lighting effects which enhanced the soft, inviting glow of its product. Product photography such as this ranged between 1.5% and 12.5% of the total area of annual reports during this decade. Although there was some evidence of charitable donations, representing some social responsibility, this was shown only in text, and then in rather an imperialistic manner:

Your directors have once again made provision for an allocation from tax-paid profit for distribution to charitable organisations throughout New Zealand for the alleviation of distress among those for whom they care. (DB, 1974).

Those “for whom they care” may have included those suffering under the effects of alcohol abuse, and/or the victims of over-indulgences in their professed excellent product, but there is no evidence of this. Beneficiaries of DBs charity were clearly indicated in their 1977 report, however, where sketches occurred depicting:

- art as an important part of the DB social services program (two men wearing glasses looking at framed pictures);
- grants and assistance to medical and social welfare (female nurse wheeling elderly man in wheelchair towards an ambulance);
- scholarships awarded to medical research (man in white lab coat standing behind test-tubes).

These sketches were accompanied in each case by a caption stating that DB benefited the whole community. No attempt was made to show a link between sales of product and social welfare, except by the implication that these charitable areas would continue to be supported as long as the company was made profitable by healthy sales. Again, as discussed in the case of BIL, DB's shareholders appeared to have no vote, regarding the diversion of company funds from one section of society (e.g. shareholders, consumers) to another (e.g. the arts, or medical research). Further, this diversion of funds took place without any prior consultation, or declaration by the company. Presumably, however, once shareholders knew the company's values in this area they were at liberty to withdraw their funds if they were in opposition to such values. Yet, there is wider sense of alarm here, in that, if there were social problems created by the company product in the 1970s, (and this can be assumed in the light of widely reported current social problems regarding the connection of drinking alcohol with driving, alcoholism, and family violence), they were certainly not acknowledged in the company annual reports of the times, by any form of disclosure. By depicting imagery representing some issue of social responsibility implies that the company has some obligation to achieve these values. Company values, stated as being to “benefit the whole community” were thus actually inconsistent with company activities, since only a portion of the whole community was selected by the company to receive the benefit of its charity. By ignoring the existence of any victims of the consequences of company activities, and continuing to present the product in a wholly positive light, the company can be seen to exploit not only the consumer, but the whole community in the interests of sales

and profit. Although the company met its financial reporting requirements in this year, and received a clear audit report, social accountability was not demonstrated here, and if a social audit (as previously discussed) was attempted at the time, the social audit report was likely to have been a qualified one.

New Zealand Motor Corporation Ltd (NZMC) commenced operation in 1970 as a result of mergers of several different (apparently private) companies throughout New Zealand, in an attempt to provide the New Zealand car market with brands of mainly British cars. It is easy to link this company's product with an appeal to a personal identity associated with style, or as Barthes (1957) has stated about cars: "the very essence of petit-bourgeois advancement" (Barthes, 1957, p.90). Formation of this company may reflect what Gould (1982) terms "the growing sense of identity" for New Zealand as a nation (p. 230), rather than a colony (p.231), which inevitably resulted in New Zealanders pursuing the materialism inherent in Western capitalistic countries. Product pictures in NZMC annual reports of the 1970s depict not only modern cars, but also has them placed in rather up-market positions: parked beside a large expensive-looking house, or a plush hotel. Often glamorous-looking girls or models adorned the bonnets of such cars (NZMC, 1971, 1972). Although the style of these photographs was documentary, again, this imagery must also be considered as advertising, since the emulation of what Ewen (1994) terms "style" is characterised by these photographs.

In 1970 Wilson & Horton Ltd printed photographs of current events in its annual report with the caption "Memorable photographs are an integral part of the modern newspaper". In this annual report, "product" photographs such as these showing men on the moon, and the Kaimai Tunnel disaster represented 14.6% of the total area of the annual report. These photographs were presumably meant to be an example of the product, and as such cannot exactly be termed advertisements. Photographs of products, or indeed imagery of any kind was not typical of Wilson & Horton annual reports of the rest of the 1970s, representing usually under 10% of the total area of the annual report. This is interesting to note because, for a company whose business rests on the image, and particularly photography, as indicated by the caption from the 1970 annual report, it would be reasonable to suppose that imagery would also be "an integral part" of the annual report. In fact it was the use of graphs that consistently predominated the company's imagery in annual reports during this decade.

### *1980 - 1989*

In the 1980s, New Zealand experienced profound social and economic changes. The fourth Labour Government came to power in 1984, and radically restructured the economic base, which was to change the New Zealand way of life forever. Reforms were needed because the New Zealand economy had been operating at less than optimal for some decades (Clark & Williams, 1995). Inflation and unemployment were rising, and Government market intervention "had hindered rather than assisted progress" (Clark & Williams, 1995, p. 35). Financial markets were deregulated, and privatisation of the public sector occurred because there was also a "need to position the New Zealand economy so it can maximise new forms of advantage in external markets" (Clark & Williams, 1995, p.105). In 1987, a sharemarket crash also radically changed New Zealander's attitudes towards companies with publicly traded shares. New Zealand took longer than most economies to recover from this event because the freshly reformed private sector was still adjusting to a deregulated environment, and the economy was still exposed to a large debt burden inherited from previous Government policies (p.45). Companies involved with finance and exports were faced with extreme hardship during this decade due to the volatility of the environment locally and overseas.

In the early 1980s NZI merged with South British Insurance Co Ltd, and became a large company in the insurance and finance industry. Imagery which had rarely been above 10% of the annual report in the 1970s, now ranged between 11% and 20% of the total area of the annual report, but not necessarily depicting products. Scenes of disasters began to be shown, but were used by the company to show how its product contributed not only to the economy, but also to welfare of the victims. For example, in the 1983 annual report, pictures were shown of the aftermath of a forest fire in South Australia; blackened, barren and smoking landscapes, and the remains of buildings. The caption read "NZI was represented throughout the stricken areas, and claims totalling A\$4million were settled within the first 3 days". In this way NZI was seen to assist victims of Australia's worst natural disaster to recover, by a quick payout. Pictures of a train derailment in Wellington, complete with photos of traumatised victims were in the 1984 annual report, and again in 1986 where, alongside a picture of floods in South Canterbury, it was noted that "NZI was praised by civil leaders for a speedy response to claims". Thus, in this decade, the company felt it could explicitly

show disasters, but, since the company must incur a major expense with the occurrence of such disasters, which might create concern for investors, there always appeared to be some angle which put the company in a good light. This was most likely to be the social contribution of its product. In this way disasters could be turned into naturally occurring advertising opportunities. This appeared to be continuing theme for NZI until its sale in 1988/1989. In addition, NZI, like BIL and DB in the 1970s, began to consider the benefits of making contributions to the artworld. For, in the 1984 report there appeared a "policy statement" beside 3 photos of significant historical Maori artworks:

NZI Corporation has instituted a policy of acquiring NZ art with the emphasis on purchasing works which might otherwise be lost to NZ. The Company's policy is to make the collection available to recognised institutions for public display (NZI, 1984).

The 1984 report contained a 4 page section entitled "Special Gallery" which showed photos of a selection of the artwork in this collection. It was obviously advantageous for the company to undertake this kind of operation, (notably beyond the range of its insurance and finance activities), for in 1985, NZI had sponsored the exhibition and tour named "Claude Monet - Painter of Light", and the annual report again contained photographs of a selection of works from this exhibition, which represented 10.8% of the total area of the annual report. In 1986 also, art exhibitions featured significantly in the imagery of the annual report. In 1986, the company made its first "Mission Statement" (printed on a background of the NZI sponsored yacht - refer Plate 6 ):

NZI is an international organisation marketing a wide range of financial services with a commitment to superior service to customers and growing rewards for stakeholders (NZI, 1986).

No mention appears here regarding the policy statement on art investment in the 1984 report, despite the apparently large investment made by the company in New Zealand artworks, and nationally toured exhibitions. In 1988, the managing director stated that the company had a "philosophy of growth through expansion". This differs from the above mission statement made two years previously. Further, it was not stated in the annual report that BIL, over the past two years, had acquired effective control of the company through share warrants. Imagery in these two years had reduced to under 10% of the annual report area, with no depiction at all of social contributions. Due to losses incurred in banking operations, NZI was sold by its controlling interests to Scottish-listed General Accident plc in 1989. Imagery in this year, in the form of logos, represented a mere 0.05% of the 1989 report. In the case of NZI, the relevance of imagery as a

factual representation of company activities and values is to be questioned, as none of the imagery, nor any other disclosure for that matter, informed the (minority) shareholders of the impending sale. Further, imagery relating to the obvious pride in the long local history of NZI which was found in the 1976 and 1977 reports became meaningless, in the interests of profit. The circumstances of the sale became known through a booklet titled "Statement of Explanation" for the Extraordinary General Meeting, after the sale had been finalised. In this booklet, it was stated by the NZI Chairman "it was understood that BIL would be a major shareholder for the long term". BIL had kept the Management and (minority) shareholders, and other stakeholders of NZI ignorant of its intentions, and this would presumably have been in the interests of maintaining the traded share price, and thus the sale price of the company. Thus, here is an example of imagery being used to maintain ignorance in order to receive competitive advantage, as Ruskin (1906) had described.

The only mention made by BIL of the removal of NZI from New Zealand interests was as almost an aside, in its 1988 report, and included with other company share sales, noting a good price. In the 1980s, BIL thrived on the new deregulated environment. Due to their aggressive stance regarding company take-overs, BIL managers saw themselves as catalysts for change, as indicated by the following statement printed alongside a photo of director Price in Sydney, "acquisition of a 13% interest acted as a catalyst for existing participants to review their position". This is what BIL regard as their "product", already made clear by Ron Brierley in the 1984 report:

Although BIL itself does not export goods and services in a conventional sense, we believe we are no less "exporting" a concept and an investment philosophy which is providing an outstanding legacy for the 40,000 New Zealanders who are BIL shareholders, and for the nation as well (BIL, 1984).

Twenty-five years of company achievements were marked in the 1986 report, where past articles from the press were highlighted as milestones. Imagery in this year reached an all-time high at 32.21% of the annual report, compared with 23.33% representing the financial statements. Celebrations of past company achievements were thus considered by the company to take precedence over the current year's financial results. One such example of this imagery was a headline from a 1969 newspaper entitled "Muldoon plans next law to beat Brierley". This photograph of a past headline suggests that this planned legislation was unwarranted, since Brierley has obviously not been "beaten" yet. Another article which appeared in the NZ

Economist in 1980 was entitled "Reflections of a middle aged stripper". Both of these photos were used to celebrate the philosophy of the company which had resulted in its prosperity and longevity. This investment philosophy also meant further contributions to ballet and cricket, both advertised as personal preferences of the Chairman, as shown by the cartoon sketch in the 1982 report (Refer Plate 7), and also BIL, 1983, 1987.

Watties Industries Ltd appeared to make no major changes to its philosophy, nor its annual report style and format in the 1980s despite real changes in its operating environment. Imagery slightly increased as a percentage of the annual report with products again being the major subject matter. In 1984 the company, like many others during this decade, printed a mission statement, alongside a logo, and a picture of the managing director. The mission statement declared its commitment to customers, product quality, employees, increasing overseas presence, and to being "responsive to the community in which it operates and thereby promote the financial interests of its shareholders". By being responsive to the community, (rather than changing it as was BIL's philosophy) Watties hoped to achieve shareholder wealth. This represents a quite different, and somewhat conservative approach to company operations, and also reporting format. Watties merged with the Australian company Goodman Fielder in 1987, possibly to reduce exposure to problems in the New Zealand economy due to the sharemarket crash. As can be expected, the style and format of the annual report changed immediately. Financial statements increased their area from 26.5% in 1987, to 50% in 1988. Imagery overall reduced slightly, with the accent on products increasing from 4.6% to 8.5%. In 1988, product photographs had increased to 11.5% of the annual report, and rather than being documentary type photos, they depict the product in situations that show how the product improves family life. For example, a mother and child are shown happily buttering bread together, and another woman and child are shown biking home from the shops with a basket full of attractively packaged Goodman Fielder Watties products: flour, butter, bread, flowers, in bright, fresh colours. These photographs, and the large amount of logos and brands of the company's product range tend to suggest that this imagery is for the purposes of advertising, although not persuading for the sake of emulating style, but for the sake of need. These products are what might be called necessary, staple foods in today's society, and GFW highlights this basic need to promote how its products contribute to societal welfare.

In contrast with Watties, AHI showed a marked change in imagery content in annual reports for the 1980s. Imagery had remained usually below 10% of the annual report in the 1970s, but increased to range between 15% and 24% in the 1980s. Product photos again predominated, with photos of packaging a variety of products being a significant feature. The caption "We package New Zealand" was underneath one photograph of an export stand displaying kiwifruit, meat and trees (AHI, 1985), and this suggests that this is how AHI consider their product contributes to the social welfare of the nation, as also in this year, pictures were shown of 10 - 11 year old boys on a rugby field described as "youngsters enjoying an aftermatch refresher from an AHI can". (The drink itself was not a company product). Also in 1985, AHI printed a statement on the inside of the coverpage of the annual report, in large lettering, and signed by the Chairman:

The past year has been one of strong growth and a broadening of the activities of Alex Harvey Industries Ltd.

AHI's financial results over recent years have been excellent when judged by any of the commonly used measures of commercial performance.

We are very proud of this progress and heartened by the knowledge that the company is well prepared for further growth and able to meet the challenges of the demanding years that lie ahead

This was printed on frosted clear paper, overlaying a picturesque, colourful scene of the Auckland harbour, and bridge. As can be seen, it cannot exactly be called a mission statement, in the way the others of this era were, but it since it was given prominence in the annual report, some importance must be placed on it. A new Chairman had been appointed due to the unexpected death of long-time chairman H.N. Avery, and this statement can be seen as an attempt by the company to align the imagery with some concept of a new company identity, and this was important to the company for many changes were about to take place. AHI joined forces with Carter Holt Holdings Ltd in 1986 to form Carter Holt Harvey Ltd Group (CHH), and in each of the remaining years in the 1980s company activities were governed by a stated corporate philosophy (usually overlaying a scenic depiction of company asset e.g. a trawler for Sealord, riding the waves (CHH, 1987) that encompassed adding value to natural resources, ensuring stability of overseas markets, market leadership, evaluating new technology, providing an open management style for the benefit of employee relations, maximisation of profits, and ensuring a fair rate of return for shareholders. An obvious exclusion from this list is the social contribution issue, which appears to be mentioned by every

other company studied in this decade. Although company products are shown in often documentary style photography in CHH, there is no explicit link between sales of product, and the provision of social welfare.

During the latter half of the 1980s Waitaki International Ltd experienced many problems, which reflected the troubled nature of the rural meat industry in New Zealand generally. Sudden withdrawal of government support resulted in dramatic reductions in farm incomes, which influenced production and thus supply to Waitaki was inadequate to meet the demand of its overseas customers. In 1986, Waitaki tried to solve this problem by purchasing additional plants, with the support of Watties and the Meat Board. However, this strategy proved to be ineffectual, and losses occurred in both 1987 and 1988. Imagery in these two years however was still 11% and 13%, with products photographs depicting processed foods and by-products, which actually were profitable lines of the company. Unlike other companies of this time, no mission statement was printed, nor was there any evidence of corporate philosophy, or company values. It could be assumed that company survival was the principal concern at the time, rather than any esoteric concerns about social welfare. Although the rural community and shareholders would have borne the brunt of the losses, and the results of rationalisation and restructuring, such as job losses, lack of returns and lack of markets, no acknowledgement was displayed by imagery of these "bad news" occasions in the annual reports. According to company sources, there was no 1989 annual report printed, and in 1990 the company was absorbed by farmer co-operative, Alliance Group.

The first annual report of Fletcher Challenge Ltd (FICh) was in 1981, due to the merger of Challenge Corporation Ltd, Fletcher Holdings Ltd and Tasman Pulp and Paper Co. Ltd. This resulted in FICh being the largest publicly listed company in New Zealand. The Chairman's report for this year summarised the statement of purpose as:

“to survive as a company which:

- is New Zealand-owned and managed
- strives for excellence
- operates with integrity and an open management style
- seeks a leadership position
- pioneers new activities and methods of business
- has a commitment to its traditional business
- acts with social responsibility”.

Throughout the 1980s, this philosophy statement appears in every annual report, usually alongside a large picture depicting company activities (e.g. tree-cutting scene, FICh, 1983). As can be expected, imagery representing company identity increased markedly in 1981, as did product photography. Products from each of the company sectors were depicted amounting to 11.3% of the total annual report area. From 1985 to 1990, imagery content ranged between 10% - 20% of the annual report, with product imagery predominating. No further attempt was made to produce an annual report with an educational bent such as the 1976 magazine with essays. However, social reporting was attempted, but again, mainly by narrative disclosure. A variety of pictures did accompany the page devoted to “Corporate Responsibility” in the 1986 report, but rather than concentrating on how the company activities contribute to social welfare, the activities of the Fletcher Challenge Charitable Trust were described. How this trust is funded was not disclosed, but it must be assumed to be from company resources. Grants were made from this trust to the arts (an exhibition and tour of Inca gold pieces), education, youth, handicapped, medical research and sports activities such as the well-known Fletcher marathon. The rural community also received substantial sums from this charity for security and safety, as well as victims of the South Canterbury floods. Pictures of these recipients were shown alongside the text. Fletcher Challenge Ltd stated that it was committed to “assisting people in developing their potential and achieving excellence”. These sentiments are admirable, but again, the issue of an elite deciding what is, and what is not, eligible for a distribution from company funds still arises. It was reported in the 1989 report that \$2.5 million had been distributed by the trust in the past five years. In 1989, also, the statement of purpose did not include the statement on social responsibility, although community programmes for decentralised support were mentioned, and a small picture appeared representing the company’s concern for conservation of rare New Zealand birds. Mention was made in the CEO’s report of the issue of toxins appearing in pulp products. The company had “acted to reduce dioxin levels”, but none of this “down-side” of company activities appeared in the imagery.

Imagery represented nearly 20% of the 1989 annual report, and these were mainly descriptive, documentary style photographs, in an operational setting.

#### *1990 - 1997*

Williams & Clark (1995) describe New Zealand in the 1990s has having the choice of either creating a future as a successful global trader, or staying out of the international mainstream, which meant in their view that New Zealand would inevitably become a third world economy. Annual reports of New Zealand companies in this decade reflect the attempt to become global. Few of the companies studies were owned by New Zealand shareholders, and some had already been sold to outside interests.

In contrast to the predominantly documentary style of the 1980s, the style of presentation of product photographs in company annual reports of the 1990s changed with this more global and internationalised environment. Fletcher Challenge appeared to become interested in presenting pictures emphasising how its products *looked*. Pictures started to appear depicting not only the practical, performance aspects of its products, but also aesthetic properties. A good example of this is the Fletcher Challenge 1994 annual report (Forest Division) which includes some large photographs showing how wood products may be used for practical purposes (HongKong Jockey club swimming pool), while simultaneously *looking* rather spectacular (Refer Plate 8a). In the same report, pine products which had previously been regarded as rather plain, were shown as "a work of art" (Refer Plate 8b). This consideration of elements beyond use for its products can be seen to reflect the company's intended contribution to the lifestyle of consumers of these products. While they may also be seen as an up-market advertising feature, the company can be seen to have an influence on social values, by presenting what Preston et al., (1996) describe as "data intended as social facts" (p. 114). This idea is reinforced further in the 1996 annual report of the Building subsidiary (Fletcher Challenge split into four separate subsidiary companies in 1995) which showed a picture that explicitly states how companies can attempt to influence social values. For, alongside a large picture of a new house complete with swimming pool, garage, landscaped grounds, and other items, was the heading "Where our products go in the construction of a typical New Zealand house" (Refer Plate 10). This suggests that, although the company may be simply trying to describe accurately how its products may be used, it is also attempting to categorise what may be regarded as "typical" housing in New Zealand

society, by using (startling, brightly coloured) imagery. One concludes from this that Fletcher Challenge had set itself the task of globalising New Zealand tastes and values regarding housing, and wood products in general, not only to sell its products, but also to ensure that the New Zealand consumer is being conditioned into international “wants” rather than “needs”, so that the threatened dive into third world status did not eventuate. Conditioning of wants is described by Ewen (1988) as “consumer engineering” (p. 43), and by Ewen & Ewen (1994) as “packaging motives” to “generate suitable public reactions” (p. 218). Regardless of what it is termed, this characteristic of economic elites, such as the directors and management team of large influential companies, results in the suppression of thought of the consumer, and, as Ewen (1988, p.263) predicts, “as stylised images and easily scannable copy become a ubiquitous part of our social landscape, other ways of knowing, alternative ways of seeing become scarce”.

In 1989, Fletcher Challenge declared in its annual report its intention to remain New Zealand owned and managed, yet by 1997, no such statement appeared in any of the four separate reports printed. The majority of its shares were owned by a nominee company, and if company practice is consistent with past stated intentions, it can only be assumed that this nominee company is New Zealand owned. Conditioned wants such as those being cultivated in New Zealand by the imagery found in 1990s annual reports of Fletcher Challenge Ltd. are vital to this company's long term survival. This is because the company has an assumed intention of remaining New Zealand owned, and would thus have to rely upon the survival of the New Zealand economy for its own survival. It cannot be necessarily assumed, however, that what is good for Fletcher Challenge is good for New Zealand. For, although attempting to be regarded as globally proficient in financial markets, it appears there is still some way to go before New Zealand will be regarded by its listed companies as an integrated, multicultural society. This can be seen in the same 1994 Forest Division annual report, and even on the same page that pine is depicted as a work of art (Refer Plate 8b), where, a “typical logger” is shown, complete with chainsaw, and safety clothing. The man is of Maori descent. This is an example among many that were found throughout the whole period under review, where Maori & Pacific Islanders appear only as workers and labourers, not as managers or consumers (for example, refer also CHH 1997). No acknowledgement was found in any of the annual reports of a middle class “consumer” status of non-white New Zealanders, including Chinese or Asians. Since, in the 1990s,

most of the companies selected were owned, and listed overseas, it would be likely that readers of these annual report are unfamiliar with the structure of New Zealand society. Some overseas shareholders may have only the annual report of the company to indicate life in New Zealand. From a global perspective, it may not be important that pictures in annual reports demonstrate the nature of New Zealand society. Yet, if only one selected part of New Zealand society is constantly chosen by the company management or its designers, and depicted in imagery which represents company values in the annual report, then this suggests that either company sees its intended audience of the annual report not as society-as-a-whole, but that part of the audience that identifies with the values that the images depict; or else the company is trying to influence societal values towards those of the depicted class or race. Examples of both these instances are found on this same page of the 1994 Fletcher Challenge (Forestry Division) annual report.

In 1996 Carter Holt Harvey gave an example of the way in which annual reports may be developed which disputes the idea of consumer conditioning. Although not wholly New Zealand owned in the 1990s, this company raised questions about its role by asking "How do you measure progress" and "How do you create value", all with mysterious looking swirling photographic effects accompanying these questions. (Refer Plates 9a & 9b). It also used these dramatic swirling effects as a background to statements such as "VALUE, where we've come from and where we're going", and also to explain the connection the company made between progress and the company success. (refer Plates 9c & 9d). These are explicit attempts to show a connection between company activities, and social progress, and good examples of how imagery is used (in conjunction with text) in order to depict company values. These represent a sophisticated approach to company activities, which assumes also some reflective capability on behalf of the reader. The company, through interviews with the Chairman, and Managing Director, then attempts to answer these questions in relation to the role CHH can play. Further development was also done in the CHH 1997 report, where a company slogan "Making it" is split into five categories, ("making it first"; making it as a team; making it for the customer; making it go further; making it safe) each of which can be seen to represent a company value. These values were then discussed through the use of narrative, although not with the executives this time, and depicted through generous use of imagery, in relation to company activities (refer Plates 11a, b). These two consecutive years' reports by CHH suggest that a corporate elite in New Zealand

can possibly become reflective about its role, which instils a certain confidence that indeed their influence may be benign. In the 1997 CHH report there is a large picture of two laughing Maori men (used to depict "making it as team"), clothed in overalls, who relate the real difference a company course in communication and learning made to their outlook towards the company and their personal lives. Is this what Ruskin was referring to when he stated that profits should be sacrificed in order to construct a nurturing, patriarchal and educational relationship between the worker and the employer? This indeed seems a meritable attempt by the company to do just that, except for a small statement that is also attached to this photograph "The Communication and Leadership programme promotes individual growth, a team environment, and *the economic viability of the Company*" (italics added). Thus, again, it appears that as long as employees show ability to work for the company, the employee will have to endure 'educational' courses such as these to ensure they are fully 'company-conditioned' into providing profits for the company. Although employee photographs maintained a relatively small profile, compared to products, the smiling faces of these employees had a large dramatic effect, and may explain the reason why imagery is declining. The combination of photo-technology and use of dramatic effect could mean that in the 1990s, imagery now no longer needs to maintain high proportions of the annual report area.

Another company to use dramatic effect more fully in the nineties than in previous years was Wilson & Horton Ltd. Even though, in its 1996 annual report, imagery area exceeded (by a small percentage) that of the financial statements area, through use of many key words, such as "success", "focus", "strength", "expertise", and the use of bright, glossy colour, this company portrayed itself as a major player in New Zealand media industry. In this report also, it was announced that Wilson & Horton would be going global, in that it was about to be fully owned by Irish company Independent Newspapers Plc. The lack of need to market itself as a future share investment, means that this imagery was obviously not aimed at shareholders, but it could be seen to be aimed at the stated 'very valuable international associations' in Ireland, Britain, South Africa, Australia, and France. No attempt appeared to be made to influence social values, as it was likely that this was left to the product itself (i.e. the newspapers). This document appeared to be what Preston et al. (1996) termed "marketing tools" or a "means of communicating a particular message" (p.114) aimed at the aforementioned valuable associations.

Preston et al. (1996) discuss several features of an annual report that appear when it is used to convey an intended corporate message. The annual report contains a 'carefully manipulated sales pitch' (p. 114), (i.e. advertising), impression management, satisfied customers, and some consideration of social and environmental concerns. These are all present in the Wilson & Horton 1996 annual report.

These features are also found together in the annual report of other companies. The annual reports of Dominion Breweries Ltd., for example, typically contain large amounts of product imagery in the 1990s. The 1993 report also contains the features described by Preston et al. (1996) which indicate that it is intended to be used to convey a corporate message. Apart from a minor amount of logos, photography is the only type of imagery used in this report. Large pictures appear of cans of beer exploding, and two very satisfied looking customers (a man and a woman) are laughing at each other over their beers. An array of brands is laid out on another page, with a blurred overlay. According to the Chairman's report, brands are being relied upon to rebuild the company after a period of poor profitability. Yet poor profitability has not prevented company funds being directed towards non-profitable areas, such as sponsorship. These "social concerns", represented as donations to sport, are reflected by showing a full page photograph of the torso of a rugby league player, clothed in a jersey complete with 'DB Bitter' written across the front of it. Yet social concerns seem insincere when the Chairman's report refers to new drink driving laws as a 'setback'. The sincerity of social concerns can also be questioned when this sponsorship may merely be another form of advertising, or impression management. Further, neither the concerns about profitability, nor the treatment of a widely welcomed piece of drink driving legislation are depicted by the use of imagery. In this annual report, company values are not found in the imagery. Thus the example of a benign management becoming more reflective about its role in New Zealand society, and showing this through imagery, as found in the CHH 1996 and 1997 annual reports, may just be a lone example, and not a trend. However, by 1997, DB had not only changed its Managing Director, but also subtly changed the way in which its product was represented. In a full page (mainly narrative) report, the relationship of the DB Group and the community was outlined, describing a campaign with the message 'Know Your Limit'. The message concentrated on the fact that DB manufactured a quality product, using the latest technology and expertise.

DB described the programmes undertaken in order to educate beer drinkers about the benefits of moderation. Further evidence of their commitment to encouraging a responsible attitude to alcohol is shown in their suggestion that wine should always be enjoyed with food. This is displayed by their 'Corbans Wine & Food Challenge'. This page showed a relatively small picture of a bottle of expensive wine, beside a beautifully presented plate of food, displayed in glorious rich colours. This is an example of not only a continuing trend in the late 1990s where company values are explicitly represented by imagery, but also it shows how, by the use of dramatic style and colour, the area of imagery is reducing while still maintaining the message.

Brierley's Investments Ltd show few signs of a benign reflective capability. In its 1996 annual report, its stated objectives are, as always, to maximise shareholder returns through growth, and these are made clear in narrative form. Some evidence is displayed of company values through the use of imagery. For example, beside a photo of the "Sky Tower" is the statement "Sky city provides value to the New Zealand economy by creating jobs and paying taxes'. However, imagery is depicted less often in the annual reports of the late 1990s and this may be linked to increasing profitability problems (which could highlight an area of possible future research. Problems have erupted in BIL since this study was done, resulting in the sacking of the Chairman, Bob Matthew, and the replacement of two directors at the 1998 AGM (one being the only woman BIL director, Fran Wilde). It should be noted here that the 1998 annual report cover was completely black, with only logos as the imagery content.

In 1991, the annual report of Goodman Fielder Wattie Ltd (GFW) displayed a huge photograph of a loaf of bread, alongside statements of "who we are", "what we do", "how we work", and "where we are going". These statements of values are concluded by the statement, "these initiatives...will sustain growth and increase the value of the company for its shareholders" , and this was to be achieved by "confirming a leading position as a supplier of innovative, premium quality, nutritional food products". Use of "larger than life" pictures of products are thus used to accentuate these company values, although, admittedly, this cannot be interpreted as being any more 'reflective' than previous decades. What is also interesting about this report is that the cover page, and the back page depict a photograph of a young red-haired, freckled, mischievous yet healthy looking boy, eating with obvious enjoyment from a large can of Watties baked

beans. Watties baked beans are also prominently displayed on the first page, again, larger than life. Watties Industries appeared to be an important part of the operating structure of the business, and the contribution of Watties products seemed to be integral to what GFW was about, if the imagery was to be believed. However, in the 1992 GFW annual report, it was announced that Watties was to be sold to Heinz, for a good price, which, they said, would be of satisfaction to the many shareholders. This sale was in line with company strategy for growth and concentration on core business. However, although it would be possible that GFW was negotiating the sale of Watties as the 1991 annual report was being prepared, this can be seen as an example of how imagery is used to screen future decisions from not only the shareholders, but any reader of the annual report, and thus is another example of imagery being used to promote ignorance in the market place.

This concludes the critical analysis of product photography for three decades from 1970 to 1997. The next two sections will critically analyse the subject matter of photographs identified as appearing most often after products, directors, and technology.

### **7.2.2 Directors**

Photos of directors in annual reports can be viewed as electoral photographs, since voting forms for directors accompany each annual report. Barthes (1957) describes an electoral photograph as “the effigy of the candidate (which) establishes a personal link between him and the voters” (p.91). Electoral photographs are a method by which the candidate can say “Look at me: I am like you” (p.91), and thus the voter is invited to elect someone familiar and known, someone who has “a thoughtful gaze, nobly fixed on the hidden interests of Order” (p.93).

Director photographs in New Zealand company annual reports, in the previous analysis, have been shown to represent a significant portion of the photographic section of an annual report (refer Appendix 9). There are certainly “hidden interests” involved, as no explicitly stated political or economic stance or agenda of directors was ever found to appear in any of the annual reports studied. What kind of order they represent

can not always just simply be assumed either. One sees the photograph, often black and white, and there is sometimes, although rarely, a brief paragraph describing the past business history of the candidate, accompanied more recently with a declaration of business interests (now statutorily required). How is a voter to decide for whom to vote, when it is not known for what s/he is voting?

Barthes (1957) identifies several different types of electoral delegates:

- one that stands for status and respectability
- one that is intellectual
- one that stands for health and virility; "the good-looking chap" (Barthes, 1957, p.92).

Further, much rests on the angle of the camera. For Barthes, a full-face photograph represents frankness, and a three-quarter angle, (especially with the face turned towards the light) represents idealism.

Although one can hardly expect that a directorship is obtained in New Zealand companies simply with one's good looks, directors are expected to be well-groomed, because this is what makes them "likeable and credible" (Graves, Flesher & Jordan, 1996, p.74), and thus pictures of the board are a "rhetorical strategy intended to persuade the reader of the credibility of the reports" (p.75). Use of black and white photography represents honesty, and "crisp, steely authority that colour can't touch" (Squiers, 1989, p.209). During the 1970s, many director photos contained in New Zealand company annual reports were in black and white, consisting of head and shoulder shots, often smiling, and always dressed in a dark suit, light coloured shirt, and conservative tie (Refer Plate 4) . The authority of the director as an influential presence within the company is thus represented. The Chairman was often singled out as the only picture appearing in the annual report, and often it was the same picture appearing year after year. For example, BIL chairman R. Brierley was represented by the same black & white photo heading his chairman's report for six years from 1972 - 1977. Quite a remarkable change had occurred to his appearance during that time. Reality was definitely not attempted here. Group photos of the board were also common, often grouped around the seated Chairman, at one end of the boardroom table, smiling.

In addition to the "hidden interests", choice of directors was not from a wide, representative sample of New Zealanders (Simpson, 1984). Thus the "Order" characterised by director values can be seen to be of a

particular type. During the seventies, directorships can be seen to be reasonably stable, with movements on boards not being too controversial or prolonged. This was especially so for the position of chairman. This probably reflects the family origins of many of these businesses: Sir James Wattie, who surrounded himself with his sons on his board, was chairman until 1973, and the new chairman, DF McLeod supported by these same sons (one as managing director) held this position until 1980. Sir Pat Kelliher was chairman of Dominion Breweries throughout the seventies (he retired in 1982), Sir Ron Brierley relegated himself from chairman to a lesser role as "founding president" in 1989, and Fletcher Challenge's Sir Ron Trotter retired in 1995. All were male, and were likely to have come from white, middle class backgrounds (Simpson, 1984, p.73). The world of the dispossessed was far removed from where these men came from. Thus the values they would be expected to espouse (disclosed or not) would all be alike, or at least compatible. These men, by their very willingness to be on a board of directors of a company, meant that they stood in support of the existence of the corporation, and all that would mean regarding the particular economic "Order" characterised by the market. In the seventies, separation of the corporation from social issues was not a circumstance that was questioned, or mourned. Acclaimed as men of vision, (often are now knighted), these men are honoured for the contribution they have made to New Zealand society. The picture of the Chairman may then be assumed to be representative of the values of the company: white, male, conservative, middle-class. Can these be termed "visionary" values, or those simply of the status-quo?

During the 1980s and 1990s, director movements were more pronounced, which is indicative of the profound corporate upheavals of the times. It is interesting to note the indisputable influence of BIL board members on other companies. Photos of sometime members of the BIL board have appeared at apparently crucial times, on some of the other companies sampled, for example :B. Hancox and S. Cushing (CHH, 1992), R.H. Matthew, R. Brierley, P. Collins, B. Hancox (Magnum, 1987), B. Hancox (EMCO, 1985 (part year)), P. Collins, Loewenthal, (NZI, 1986). If a photo of a BIL board member appeared on the board, one could surmise that there was a take-over in the offing, or an impending sale. This was deemed to be all in a days work for BIL, as indeed it was their stated intention, but it was highly likely to be greeted with reservation by the receiving board. In fact it resulted in a negative, unsettling effect on the results of EMCO, whose managing director (R.N. Mason) made these remarks in his report of 1985:

The period of intense activity which followed Brierley's bid in April of this year for the EMCO Group - now withdrawn - had an unsettling effect on our operating companies and their staff, and diverted the efforts of senior management away from the main purpose of running the group profitably. EMCO feels comfortable with Steel & Tube.....  
(EMCO, 1985).

It is of relevance to note that directors were represented by way of sketches, rather than photographs, in the 1985 EMCO annual report, and the area of these sketches was more than six times the area devoted to directors in the previous three years. The sketches were all colourful, and flattering (refer Plate 5a & 5b). It could be seen to be a celebration of the existing hierarchy, depicting business as usual, and suggesting that perhaps things were going to get better now that a problem area had been removed. To substantiate this further, company profitability was apparently down, but photographs of products represented 10.5% of the total area of the annual report, which represented a 66% increase in product photographs from the previous year. Here the pictures seem to complement the words.

Another close corporate relationship with common directors occurred between Watties, Fletcher Challenge and Waitaki. Watties eventually came to own a 40% interest in Waitaki International in 1984, which was, in 1988 partly sold to Garway Investments Ltd (the joint venture company of Goodman Fielder Wattie Ltd and the Meat Board subsidiary of Freesia Investments Ltd). Fletcher Challenge also owned a 29.7% share of Waitaki International. Two Fletcher Challenge directors were appointed as well as GFW chairman, P. Goodman as chairman. A small photograph of Goodman as chairman was present, but no photographs of the new (or existing) directors. What was left of Waitaki International was acquired by the co-operative, Alliance Group Ltd in 1990. Presumably there was no need for director photos to appear, as they were not intending to participate in the voting process in the future. Decisions were made by faceless people apparently put there to do a job, then leave. Waitaki shareholders, and other stakeholders (such as employees) undoubtedly suffered from these decisions, but again, this was not represented by any photographs. It is interesting to note that product photographs, again, increased from 63.25 sq.cm to 1714 sq.cm. in the period 1986 - 88, an increase of 2609%! again reinforcing the message of "business as usual", despite major company board and structural adjustments.

A "business elite" has been shown to exist in New Zealand, which has been described as follows:

Power in business seems to lie with large corporate shareholders, many of them transnational, preoccupied primarily with their profits. Directorates interlock in such a way that there is much less competition among companies than is often imagined and day-to-day control is in the hands of a relatively small group of directors and chief executives who are not in practice responsible primarily to either their shareholders or the community. They exhibit attitudes which are significantly more conservative and authoritarian than the community at large, and are drawn from a relatively narrow group within society, self-perpetuating and itself recruiting on the basis of socio-economic background and shared conservative attitudes, rather than merit and ability. (Simpson, 1984, p.81)

This business elite is in evidence by the directors pictures in annual reports. What is not in evidence, however, is any reference to the "moral guardian" aspect. Although significant service to one's country is certainly widely regarded as criteria for a knighthood, guardianship as to morals, values and perhaps, "vision", appear to be beyond these criteria. From the foregoing quote, it could be suggested that a knighthood maybe the only recognition this business elite aspires to.

Self congratulatory management accolades such as those described by McKinstry (1996) reinforce the privileged position held by the directors. It is also a method used to justify large remunerations to directors as suggested by McKinstry (1996). These have been a feature of annual reports in the UK since 1981 (McKinstry, 1996), and occur through the presence of "profiles" and "interviews" of Managing Directors, Chairmen, and CEOs. In New Zealand such profiles and interviews started to appear in the nineties, for example: CHH, 1996;DB, 1996;BIL, 1995, 1997. Common throughout the period under review were also other celebratory practices of director personalities such as photos of painted portraits, or in the presence of important people, such as Prime Ministers, mayors and royalty: W&H, 1988, 1996; AHI, 1982;Watties, 1974, 1976;DB, 1982; BIL, 1996. Squiers (1989) remarked that it is unusual for a CEO to market himself, and used an example of where a CEO's photo dominated the annual report, appearing in almost every picture. She suggested that this was to stamp the power of the CEO to manage the company through hard competitive times. No evidence of this was found in any of the New Zealand company annual reports examined. The company with the largest area devoted to directors was Brierley Investments, in 1994, but this area was mainly devoted to group photos. Average areas devoted to directors in all of the companies sampled did not exceed 2% of the total area of the annual report (refer Appendix. 10). It may also be interesting to note that there are few women directors (photographs of only two were found: Kerrin Vautier

(Fl Ch) and Fran Wilde (although not elected in 1998) (BIL)), and no Maori director photographs were found at all in the companies sampled.

Use of Barthes' method of discerning personality traits through photos may be a bit trite, but that is all stakeholders have to go on. Stakeholders really have little basis to judge what potential direction a director might go on a particular issue as no other information is offered as to directors' values, family backgrounds, educations, values. In addition, photos of directors are not present in all annual reports. Those that relate to the image represented by director photos in an annual report are, presumably, only those who would aspire to be like them. By glorifying the achievements of directors, the implication is that everyone would want to be like them. This is not necessarily so. As Simpson (1984) has pointed out, it must be remembered that these are leaders who operate in an erstwhile egalitarian society, but who do not accept its fundamental beliefs, because they would otherwise not have gained the position in the first place. While interpretation of photos may shed some light on what directors look like (or have looked like in the past), it may still be unwise to assume that by placing electoral photos in an annual report, directors are able to say: "Look at me: I am like you".

### 7.2.3 Technology

"In the salient experience of work, men live more and more outside nature, and less and less with machinery and things; they live with and encounter one another" (Bell, 1973, p.488).

Bell (1973) explained that early man (*man faber*) sought to make things in order to remake nature into something that would enhance man's powers. The industrial revolution took this "remade nature" and imposed a "technical order" upon it so that engineering feats could distribute resources and climates, so that technology was a game against fabricated nature. The post-industrial society, however, is "essentially a game between persons" (Bell, 1973,p.488).

Nisbet (1971) describes technology as "the application of rational principles to the control of re-ordering of space, matter, and human beings" (Nisbet, 1971, p.41). He suggests that technology now has its own set of governing values that in the minds of many are sacred, and there is now no longer any need for technology to justify itself by its contributions to other spheres of society, because now the ends of

economy are subordinate to the ends of technology, rather than the other way around. This results in moral conflict with other institutions in society, such as the political, aesthetic, religious as well as the economic (p.41).

A good example of this moral conflict is the issue concerning the replacement of the human being with a machine. This situation is found to be celebrated in New Zealand company annual reports, and furthermore, is represented as essential to economic progress. For example, in the centenary copy of the Waitaki annual report (1980), photographs are shown of the progress made from an early century manually processed killing chain, to the modern computer controlled sanitised process. Another example is also depicted in the Wilson & Horton (March) 1995 annual report, where a comparison is made between technology used in earlier times (man in overalls tinkering with oily gadgets and levers on huge machinery), and current times (man in clean white shirt reading newspaper with clean blue computerised equipment beside him). The concept of technology enabling human beings to be released from work to an increased leisure time is an issue that Riesman (1971) describes as follows: "those who have been recently released from underprivilege by mass production and mass leisure have gained, along with an often meaningless political vote, an often influential voice in the direction of consumption and hence of production" (Riesman, 1971, p.73). He regards this sudden onrush of leisure as "technological unemployment" (p.75), and highlights the inadequacies of education that has not prepared this class of society for the pace of change and creation of "new wants" (p.75). Annual reports do occasionally depict employees filling this spare leisure time as shown by employees on company picnics (GFW,1992), and company-sponsored activities such as fun-runs (AHI, 1985), but do not appear to address any social issue of "technological unemployment". In most annual reports where technology was presented, pictures were shown of some new item of machinery purchased in the year, to depict progress and efficiency. Employees were also often depicted operating these machines, complete with protective clothing, possibly showing the health and safety aspect. Well trained, "expert" employees deftly operating, and interacting with, complex machines are celebrated in many annual reports, one example being the 1981 DB annual report. Preston et al. (1996) discuss the situation where "the human organism is increasingly being incorporated into a newly emerging set of biotechnical arrangements" (Preston et al., 1996, p.132), and note that the interface between the biological and the technical is becoming blurred. They find that imagery depicted in annual reports

sometimes confuses the image of people working *with* machines, and people working *like* machines. They suggest further research into the "machine/human/nature interface" (p.135) to open a critical dialogue about the role of corporations in society. Although explicit examples of imagery similar to what Preston et al. (1996) found (where a man is gradually being taken over by a machine) were not found in this study, there were many examples where it was easy to see how this could eventually happen. For example, in the previously mentioned 1981 DB annual report, in order that an employee can "operate" the large complex-looking array of machinery, he is required to step into a small enclosed space made as part of the machinery, to accomplish what might be regarded as the "human" contribution to what the machine achieves. Rather than being in control of this machine, the operator can be seen as just one part of the job of this machine.

Imagery depicting technology in company annual reports for the period 1970 - 1997 can be described as a demonstration of how the company uses technology to become more efficient, thus reducing the costs of operation, and thereby improving the return for shareholders. Throughout the period under study, there appeared to be no attempt to show the impact of technology in a sociological sense, or as Bell as described above, "a game between persons". This suggests a constant belief by New Zealand companies, in the powers of technology, rather than people, to resolve countless economic and social problems. This is described as Fordism by Batchelor (1994, p.1), and belonging to a now out-dated American modernist era. If this is correct, this also suggests that the growing sector of New Zealand society affected by companies is not yet at the stage of social development where it could be called a "post-industrial" society.

## SECTION FOUR EPILOGUE

### CHAPTER EIGHT - SUMMARY AND CONCLUSIONS

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#### 8.1 *Summary of Results*

"The absence of all corporative institution creates, then, in the organisation of a people like ours, a void whose importance it is difficult to exaggerate" (Durkheim, 1968, cited in Giddens, 1994, p.104)

The argument leading to the statement of the research problem in Chapter One raised several issues regarding a possible relationship between imagery in company annual reports and corporate values: does imagery in annual reports enable one to judge whether the company is concerned about the consequences of its actions?; does imagery in annual reports exploit people for the purpose of impression management?; and does imagery in annual reports enable social comment which results in construction of New Zealand social values? It was decided in Chapter One that, when looking at the role that companies play in contributing to social welfare, it becomes increasingly important that society knows what type of social values or agendas a company sanctions. This is because the state's governance over social welfare has been relinquished in favour of the corporation, due to deliberate policy decisions. Thus economic and political voting choices regarding social welfare issues are now required to be made by participants in the market, rather than the electorate. As a result, companies and their values have come to play a very important role within society, and the company annual report is a logical place to go in order that some information regarding company values may be obtained.

The research problem addressed the issue of whether New Zealand companies use imagery to report their values that inspire and underlie their activities, and two specific questions were identified: to what extent is imagery used in company annual reports; and, to what extent do New Zealand companies reveal their values through the use of imagery.

An alternative approach to accounting research titled "the Political Economy of Accounting" was adopted which recognised that accounting reports serve specific interests other than that of the shareholders, that

these specific interests operate in an environment full of conflict, and that self-interested behaviour may be a result of how society is organised, rather than choice of individuals. Three imperatives of this approach, "be normative", "be descriptive", and "be critical", were used to structure this study. The normative stance taken was as a direct result of the importance of the role of companies now being undertaken in New Zealand society, and was specifically stated as "that New Zealand companies should report in their annual report on company values that inspire and underlie their activities for the year". This stance could highlight possible rich insights as to the role of companies in New Zealand society, but also indicate attempts by companies to report on some aspect of social accountability. The descriptive part of the study was essentially an attempt to address the "what is" side of the imagery content of annual report and was dealt with by Question One. The results expected to show that the extent of imagery in company annual reports is increasing over the period under review, and, if this is so, the implications for accounting with its numerical focus would be discussed. The second research question critically analysed the extent to which images found in company annual reports revealed company values, and during this study, a link was expected to be identified between company values and social values in New Zealand.

It was found, contrary to that expected, or that suggested by the literature (e.g. Lee, 1994; McKinstry, 1996), that imagery represented less area of the annual report than the financial section. Although the area devoted to imagery was found to be increasing at a faster rate than the area devoted to the financial information in the period 1970 to 1988, it was increasing at a slower rate in the period 1988 - 1996. From 1997, the area devoted to imagery has declined. Overall it can be seen that the New Zealand company annual report is predominantly a financial document with regard to area, since imagery currently amounts to approximately 12% of the area on average, compared to 40% devoted to financial information. Very rarely did the imagery content exceed the financial or narrative content, yet the literature suggests that the area of an image may be irrelevant, due to the impact an image has, when compared to words or text. When analysing the types of imagery present in New Zealand company annual reports, it was found that photography has always been the most used category, with logos used the least. Photography has demonstrated a very large increase in area over the period under review, but as a percentage of the total area of annual reports has declined in all content areas since 1995. Products predominated as

photography subject, which was suggested by the literature, but not to the extent found in another reported study. Technology and directors were ranked next after products as the most used photography categories.

This part of the study provided some hard data from which to make some qualitative assessments. It set out to find exactly whether imagery was important as to area of an annual report. The results show that imagery is of minor importance with regard to area, and in fact, photography, now identified as the most used imagery type, is decreasing as a percentage of the total annual report area. This part of the study has also enabled some ranking to be done in the subject matter used by photographs in order that the most used subjects (i.e. products, directors and technology) can be studied further. It has also created a few more questions. For example, why is photography decreasing in use? And, why are financial statements as well as imagery decreasing in % area, when the requirements of legislation would suggest otherwise? The critical part of the study does not address these questions directly, but some speculation may be possible from the insights gained.

Although imagery has now been identified as having little importance with regard to area, as stated above, the literature suggests that area may be irrelevant. Products, directors and technology have been found to be the most used content of photography, and these subject matters need to be critically examined further, by relating the 'what is', back to the 'what should be' stance. Specifically, if companies should be stating their values through the use of imagery, what company values are being portrayed in these photographs of products, directors and technology. A brief summary of the findings of each section is as follows.

### *Products*

#### 1970s

Explicit statements of company values were found to be rare during this era, whether by narrative form or by imagery. One example was found (BIL, 1979) where company values (i.e. companies should contribute to worthwhile community activities) were expressed through the use of imagery, yet the appearance of this seemed at odds with company activities. There appeared to be some conflict between company values stated in the annual report which was never acknowledged by the company (i.e. shareholders vs. community). Yet this was an early example of a company attempting to show some degree of corporate

accountability for its actions, by stating what a successful company should be doing. The contribution of the company product towards social welfare was implied in most cases, and imagery tended to be of an illustrative or documentary nature. The nature of some products made documentary depiction difficult (e.g. insurance, and financial investment), and companies in these industries resorted to simply depicting consumers rather than the product itself. Use of persuasion techniques, and image management were also rare. In the case of DB, where over-consumption of the product can be seen to have important social consequences, no acknowledgement was made by the company to specifically address this issue. Although also rare during this era, this could be seen as an example of imagery being used to exploit the consumer for the benefit of company profits. Imagery depicting bad news occasions of any company activities (such as drink driving accidents, or family violence due to alcohol, for example) were not found for any company, throughout the whole period under review. Overall, imagery in the New Zealand company annual reports of the 1970s represented a rather conservative view of their activities, and their role in society, although the Challenge Corporation Ltd annual reports for 1976, 1977 and 1978 are exceptions to this.

#### 1980s

The 1980s were characterised by hard times for many New Zealand companies and extremely good times for others. In the companies selected for this study, product imagery increased generally, and companies started to become more explicit in consideration of their role in the New Zealand economy, and society in general. Mission Statements began to appear, accompanied by imagery that tended to become less and less of a documentary nature, and more celebratory of the company activities and products. Imagery became to be used more as advertising, even to the extent of using disasters as naturally occurring advertising opportunities. There was also a tendency to invest in artworks during this decade, and many of these investments were shown as photographs in the annual reports. In addition, there appeared to be increases in the advertisements of corporate sponsorships, and donations towards good causes, and these were also depicted by imagery. This may have been a reflection of a more sophisticated attitude towards the role the company undertook in society. Although company values were becoming more explicitly stated, evaluations by companies of how well these companies achieved their values were non-existent. Further,

no evidence was found of any contemplation of the consequences of these values. For example, the issue of whether a managerial elite should be deciding what good cause is to be the recipient of company funds was never discussed or even identified in these annual reports. Thus, although New Zealand companies considered themselves to be coming of age with regard to making certain lifestyles possible (to some) through making certain products available, any connection made through the use of imagery between products and overall social welfare still seemed to be rather simplistic.

### 1990s

Annual reports of this decade are dominated by the globalisation of the New Zealand economy, and the subsequent impact on activities of the companies sampled. There seems to be evidence in this decade of product photographs being used to both construct and reflect social values, as an example was found where a company states how its products are "typically" used (accompanied by an image of the end-result which would be beyond the budget of many "typical" New Zealanders); and how its employees are to act, not only at work, but in their personal lives. This may be seen by some as an example of imagery being used to exploit people for the purposes of improving company profits. This would restrict a company (or its managers) being viewed in a "moral guardian" role. Some examples were found, however, which would suggest that the role of companies in society could possibly be benevolent. These examples showed companies using imagery in order to make explicit attempts to state their values, depict company activities, and reflect on the effect these values have on society. The appearance of such statements indicates that companies believe that they should be reporting such values, and, if this is the case, how the company reports these values also becomes important. Imagery is found to be used, (although often in conjunction with narrative statements) so this presents a case for the importance of imagery in a New Zealand annual report. The use of imagery in annual reports of the later 1990s also suggested that, through the use of striking colours and improved photo-technology, the need for a large amount of imagery is reduced, and this could explain the declining percentages of the area of imagery in annual reports.

### *Directors*

Photos of directors were found to be the only indication of director presence in New Zealand annual reports. Little else is reported on director values, and how these influence company values. Pictures of smiling directors, admittedly, can hold little information regarding values, except to show that they all dress the same. Research appears to suggest that these directors all come from similar backgrounds, and so it would be possible that company directors in New Zealand hold the same values. These values can be seen to represent the continued dominance and influence of companies over New Zealand society. Thus it is important that company (and director) values are reported in an annual report.

### *Technology*

New Zealand company annual reports represent technology as the means of achieving efficiency, and cost effectiveness. No consideration appears in the many photographs of updated machinery of the social implication, such as “technological unemployment”, and the ever increasing subservience of workers to the unquestioned justification of the machine.

Now that the results have been summarised, some conclusions are able to be made regarding the extent of imagery in company annual reports, and these will be discussed in the next section.

## **8.2 Conclusions**

In 1969, Philpott wrote an article entitled “Social Accounting and Economic Planning” describing how he thought social (national) accounting models could be used to contribute to the process of economic planning. He concluded with this statement, which can just as well be applied to companies, and their wide range of interested parties:

For too long I think the New Zealand politician, with some exceptions, has underestimated the qualities of the New Zealand voter who, in my opinion, does not want to be earstroked and lulled into a false sense of economic security. He (sic) wants to be told in simple clear-cut terms where we are going, how we propose to get there, and what national and personal sacrifices are involved in the passage. And, I believe, he is prepared to tolerate these sacrifices if the purpose is properly and coherently explained to him, but not if all appears to be, as it must have in the past, part of a gigantic mysterious confidence trick (Philpott, 1969, p.332).

Imagery in annual reports can indeed be viewed as a “gigantic mysterious confidence trick”, a technique used by companies to “earstroke and lull” their stakeholders into a false sense of security. From the discussion above, it can be seen that companies include imagery in their annual reports in an attempt to construct society attitudes that will view their products and activities in a positive light. Thus, from this perspective, imagery in annual reports must be viewed as mere opinion. Yet, imagery in annual reports has also been found to inform the stakeholders on more factual issues, such as where the company is going, how it proposes to get there, and how it views certain societal issues, such as the natural environment i.e. its underlying values. For example, there appears to be much potential for socially responsible companies to disclose much of their philosophy through imagery. From this perspective, imagery in annual reports can also be viewed as fact.

The methodology used in this study has been most valuable in providing a flexible and broad threshold from which to observe the above two opposing, or perhaps complementary, views of the image in New Zealand company annual reports. By allowing an initial value laden (normative) stance to be openly admitted, the political economy of accounting has also provided access to rich insights on how (or whether) companies employ imagery in annual reports to either construct or reflect the nature and welfare of society-as-a-whole. It has also highlighted some possible future roles for accounting, in the use of imagery as a corporate social report. With specific regard to the normative stance taken, however, from the information gained from examining the annual reports as prescribed, it may be concluded that there is support for the notion that companies should declare their values in their annual reports. Further, it must also be concluded that even though they are subject to accusations of social construction, and that they lack credibility, photographs and other imagery may be the most understandable and convenient way of achieving relevant disclosure of an intangible nature, such as social issues, and company values.

There appears to be no doubt that imagery is an important feature of an annual report. As has been found, from a global perspective, it may not be important that pictures in annual reports demonstrate the nature of New Zealand society. Yet, if only one selected part of New Zealand society is constantly chosen by the company management or its designers, and depicted in imagery which represents company values in the

annual report, then this suggests that either company sees its intended audience of the annual report not as society-as-a-whole, but that part of the audience that identifies with the values that the images depict; or else the company is trying to influence societal values towards those of the depicted class or race. This has important implications for the role of accounting. Since accounting traditionally only deals with the financial statements, social issues become ignored by accountants. If companies and their management are indeed developing an emerging sense of social accountability, accountants are most likely to be called upon to report on this social accountability. As discussed in Chapter 3, the current capabilities of accountants to undertake this role are limited, due in some part to educational and curricular inadequacies. Yet, if these inadequacies were addressed, there appears to be much potential for accountancy to expand its role, with that of the company, to embrace urgent social issues, such as those described above. In this way, accounting becomes an integral part of the future development of society, rather than dealing with just the numbers.

As a final concluding remark to reinforce the above views, the following statements by Churchman (1971) are relevant:

“accountants and economists, people who have spent their lives assigning numbers to social changes...” (p. 30)

“I don't think the need is for more numbers, at all. The need is for the basis of justifying the numbers - the model or world view which tells us what difference the numbers make” (p.34)

“what is left out of the expert's opinions is all we really need to know: what to do about it” (p. 34).

### **8.3 Limitations**

This study was limited by the initial normative stance taken by the researcher in that throughout the study, imagery was analysed with the view that companies should be stating their values through imagery. Although not providing a neutral view, this stance has still provided some worthwhile results, but openly from the perspective of the researcher. Traditionally this would be regarded in any research as a major limitation. In this study this limitation is part of the study itself.

This study was restricted by time, and availability of annual reports, and by the important distinction between the two sides of the artistic process as shown in Fig. 1. Only the representation side of the image has been analysed here, not the experience of the 'appreciator', or audience. Further limitations are evident due to blank spaces, and the stated assumptions regarding content analysis.

As can be seen, there are many limitations involved with this study, many of which can be resolved by further research.

#### **8.4 Future Research**

Many areas for future research have been highlighted throughout this study. From Churchman's (1971) statement above, there is the huge area of what to do about these results. Since this study suggests that companies should be using imagery to depict their values, further research could be undertaken, for example, to find out what values are appropriate for companies in a post-industrial society.

Although the descriptive part of this study resolved the research question, it also highlighted further questions. For example, why is photography decreasing in use in recent years? And why are financial statements as well as imagery decreasing in percentage area, when legislation would suggest that in statements would increase. This suggests that narrative forms of disclosure are being used more, so a study of the narrative forms of imagery in annual reports much like Walters-York (1996) has done in accounting texts would also be of relevance.

The critical study also raised further questions. There appears to be a link between profitability, asset holdings, size, industry type with the use of imagery. Further statistical studies in this area would highlight the significance of this link. A study which looks at the impact of imagery on shareholders themselves (i.e. from the "other" side of the art process) would also expose rich insights as to the perceptions of stakeholders such as consumers and shareholders about the role companies play in society. Another area which could be looked at is the influence directors and management actually do have when designing annual reports, for example, what differences are made to the imagery content of annual reports if designers are given freedom. Who actually influences and chooses these designs? Finally, investigation of the issue highlighted by Preston et al. (1996) regarding the machine/human interface in the imagery in

company annual reports would provide a wide information base regarding the ever increasing influence of technology in New Zealand companies, and its role in New Zealand society.

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## Appendix 1. List of Companies Examined

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	Company Name	Abbreviation Used	Year	
1.	Alex Harvey Industries Ltd Carter Holt Harvey Ltd	(AHI) (CHH)	1970 - 1985 1986 - 1997	Merged with Carter Holt 1986
2.	J Watties Canneries Ltd Watties Industries Ltd Goodman Fielder Wattie Ltd	(JWC) (Watties) (GFW)	1970 1971 - 1987 1988 - 1992	Sold to Heinz 1992
3.	Brierley Investments Ltd	(BIL)	1970 - 1997	
4.	Dominion Breweries Ltd Magnum Corporation Ltd DB Group Ltd	(DB) (Magnum) (DB)	1970 - 1986 1987 - 1992 1993 - 1997	Changed Name to Magnum
5.	New Zealand Motor Corporation Ltd (NZMC)  Emco Group Ltd Steel & Tube Holdings Ltd	  (Emco) (STH)	1970 - 1981  1982 - 1985 1986 - 1997	(None in 1974 due to change in Balance Date)
6.	Wright Stephenson Ltd NMA Wright Stephenson Ltd Challenge Corporation Ltd Fletcher Challenge Ltd	(WSL) (NMAW) (Challenge) (FI Ch)	1970 - 1971 1972 - 1973 1974 - 1980 1981 - 1997	
7.	New Zealand Insurance Company Ltd (NZInsce) New Zealand South British Group Ltd (Sth Br) NZI Corporation Ltd	  (NZICorp)	1970 - 1981 1982 - 1983 1984 - 1989	Sold to General Accident Fire & General plc (UK) in 1989
8.	New Zealand Refrigerating Company Ltd (NZRef)  Waitaki NZ Refrigerating Ltd Alliance Group	  (Waitaki) (Alliance)	1970 - 1975 1976 - 1988 1990 - 1997	Merged with Waitaki Industries (No report for 1989) Acquired by Alliance 1990
9.	Wilson & Horton Ltd	(W & H)	1970 - 1997	Sold to Independent Press Communications Ltd (UK) in 1997.

**Appendix 2: Annual Report Worksheet:**


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**Company Name:**
**Year:**


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**Total No of Pages:**
**Size of Pages:**
**Total Area:**


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**Total Area of Imagery:**
**Photographs**
**Sketches**
**Graphs**
**Logos**
**TOTAL**
**% of Total Area of Annual Report:**


---

**Breakdown of Imagery Used:**
**A.**
**Photographs:**
**Measurement:**
**Size:**
**Total Area of Photographs:**
1.Directors:
**Size:**
**Total Area of Director Photographs**
**Names**
**Comments: (eg Black & White/Colour; Group/Individual)**
2.Technology of company:
**Size:**
**Total Area of Technology photographs**
**Comments: eg.Use of photographic technique**


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3. Products of Company:

Size: Total Area of Products photographs

Comments:

4. Employees of Company:

Size: Total Area of Employee photographs

Comments:

5. Scenery:

Size: Total Area of Scenery photographs

Comments: (eg are there descriptions of what the scene is supposed to depict in relation to the company, or is it 'just there')

6. Social Contributions:

Size: Total Area:

Family  
 Lifestyle improvements  
 Young people  
 Old people  
 Safety  
 Health  
 Education  
 Arts  
 Law/Social Order  
 Transport  
 Communcations

**B. Sketches:**

Description:                      Size:                      Total Area of Sketches

**C. Graphs:**

Description:                      Size:                      Total Area of Graphs:

**D. Logos**

Description:                      Size:                      Total Area of Logos

**Company Name:**

**Year:**

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**Company Profitability**  
**(Consolidated where applicable)**

**Trading Profit**

**Net Tax paid (after depn and audit fees)**

**Net Tax paid Profit:Total Assets**

**Industry Classification**

**Size: No of shareholders**

**Authorised Capital**

**Total Assets**

**RESEARCHER EVALUATION AND COMMENTS.**

Value (s) of Company  
(eg Identity, Market Share, Profitability)

Current Action:How it has achieved/working towards Company Value

Future Action:Evaluation



		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997		
Alex Harvey Industries		x														
Carter Holt Harvey			x	x	x	x	x	x	x	x	x	x	x	x		
Total Pages		44	54	60	70	70	72	80	62	70	74	78	74	68		
No of Pages of Financial Statements		12	14	13	20	23	24	30	26	23	24	25	29	30		
% Fin Stmt of Total Area		27.27%	25.93%	21.67%	28.57%	32.86%	33.33%	37.50%	41.94%	32.86%	32.43%	32.05%	39.19%	44.12%		
Page Area (sq.cm)		619.5	619.5	619.5	619.5	624.75	619.5	619.5	619.5	619.5	619.5	619.5	619.5	619.5		
Total Area (sq.cm)		27258	33453	37170	43365	43733	44604	49560	38409	43365	45843	48321	45843	42126		
Total Area of Imagery		4243.6	5016	6892.25	7305	6877.5	8053.8	10682	2147.8	7254.8	10972	9952	8480.75	6767		
% Imagery of Total Area		15.57%	14.99%	18.54%	16.85%	15.73%	18.06%	21.55%	5.59%	16.73%	23.93%	20.60%	18.50%	16.06%		
Photography:		3982.6	4633.5	5828.75	6783	6120.3	7913.8	10065	2147.8	5994.8	10357	9565.5	8316.75	5971		
Directors		360	522	561	657	1090	1099.3	694	592.75	24	715.5	892.5	898	174		
Technology		554.25	437	828.5	692	1832.3	1858.5	4106.5	200.5	482.5						
Products		1443.1	1976.25	1441.25	2014.3	1082.5	1239	3570	625	3525	8885	5575.5	3305.25	2161.75		
Employees		419	180.5		829.5		1858.5	399		271.25	89	619.5	1767.75	795		
Scenery		1049	1179.75	619.5	1101.3		619.5	1239	619.5	1106.8						
Social Contributions		51		89.25		444				181.25	659.5	2478	207.75	920.5		
Assets		106.25	338	2289.25	1408	1403.3	1239	56	110	404	7.5					
Other																
	Coy Identity				81	268.25							2138	1919.75		
Sketches				434		368.25		270		699.5		80				
Graphs		135	291	553.5	481	351	99	319.5		376.5	500	306.5	163	796		
Logos		126	91.5	76	41	38	41	27.5		184	115		1			
Profit (\$m)		49.883	73.418	98.094	91.369	135.44	191.36	158.27	193.65	243	325	445	453	251		
Assets (\$m)		603.26	1238.28	1996.79	2110.8	2729.1	3028.2	7039.9	6826.8	6588	6836	7527	7732	7564		
Profit:Assets		8.27%	5.93%	4.91%	4.33%	4.96%	6.32%	2.25%	2.84%	3.69%	4.75%	5.91%	5.86%	3.32%		
No of shareholders (x=not given)		6576	14231	15706	20991	20235	19661	58162	68321							
Auth Capital (\$m)		200	250	250	500	500	500	2000	2000							
Pd up Capital																
Industry Classification		CHH acquires AHI						Listed on Sydney SE								



	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
J Wattie Canneries Ltd													
Wattie Industries	x	x	x										
Goodman Fielder Wattie				x	x	x	x	x					
Total Pages	48	48	64	60	72	72	72	72					
No of Pages of Financial Statements	12.5	14	17	30	31	26	26	28					
% Fin Stmt of Total Area	26.04%	29.17%	26.56%	50.00%	43.06%	36.11%	36.11%	38.89%					
Page Area (sq.cm)	602	602	619.5	619.5	619.5	609	619.5	619.5					
Total Area (sq.cm)	28896	28896	39648	37170	44604	43848	44604	44604					
Total Area of Imagery	6588.5	2324	5704.25	4655.8	6582.3	3106.5	8278	5026.3					
% Imagery of Total Area	22.80%	8.04%	14.39%	12.53%	14.76%	7.08%	18.56%	11.27%					
Photography:	4509.5	1120	5558.25	3859.8	6021.3	2305	8098	4385					
Directors	366.5	0	1359	409.5	222.25	406	468	0					
Technology			493.5	290.5	271.5	378		425					
Products	3948.8	1120	1863	2540.3	5136	1404	7630	210.5					
Employees	31.5		583.75		391.5	117		681					
Scenery			1259										
Social Contributions	162.75			619.5				3068.5					
Assets													
Other													
Sketches		291			148.5	119							
Diagrams	875	913	146	270	25	570	180	641.25					
Logos	1204			526	387.5	112.5							
Profit (\$m)	61.339	130.622	310.954	133.07	317.03	-85.64	111.2	49.5					
Assets (\$m)	834.91	1193.94	2059.91	3545.22	4147.56	311.83	3104.70	3106.20					
Profit:Assets	7.35%	10.94%	15.10%	3.75%	7.64%	-27.46%	3.58%	1.59%					
No of shareholders (x=not given)	15843	16406	x	48717	45248	45666	47222	51396					
Net Worth Capital (\$m)	94.413	200	200	2000	2000	2000	2000	2000					
Net Worth Capital													
Industry Classification			Merged with Goodman Fielder					Watties sold to Heinz					











				1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Steel & Tube Holdings					x	x	x	x	x	x	x	x	x	x	x	x
Emco Group				x	Acquired by Steel & Tube Holdings											
NZ Motor Corp Ltd																
Total Pages				36	44	44	36	28	31	32	32	32	38	44	42	36
No of Pages of Financial Statements				13	15	14	13	13	12	14	12		17	21	20	16
% Fin Stmt of Total Area				36.11%	34.09%	31.82%	36.11%	46.43%	38.71%	43.75%	37.50%	0.00%	44.74%	47.73%	47.62%	44.44%
Page Area (sq.cm)				619.5	619.5	619.5	619.5	619.5	619.5	630	630	619.5	Var	619.5	619.5	619.5
Total Area (sq.cm)				22302	27258	27258	22302	17346	19205	20160	20160	19824	21683	27258	26019	22302
Total Area of Imagery				3211.3	2970.25	5081.25	1431.5	294	1454.5	2138	3327.9	3579.3	6651.5	5837	4278.5	3716
% Imagery of Total Area				14.40%	10.90%	18.64%	6.42%	1.69%	7.57%	10.61%	16.51%	18.06%	30.68%	21.41%	16.44%	16.66%
Photography:				2491	2684.25	4991.25	1414	285	1328.5	2054	3247.4	3559.3	6566.5	4229.25	3569	3133
Directors					87.25	720	286	90	136	136	245.5	315	631.5	208	63	43.75
Technology				84.5					167.5		9	1209.5	1666.8			1858.5
Products				2361	2458.25	2907.25	1128	195	1025	634	2852.9	2004.3	3648.8	3377.25	3506	1187
Employees					138.75	125						12.5		7.5		43.75
Scenery																
Social Contributions																
Assets				45.5						24	140	18		17		
Other																
Sketches				273	160								36	1548.75	619.5	483
Diagrams				77	126	90					76.5	20	40	56	90	100
Logos				370.25			17.5	9	126	84	4		9	3		
Profit (\$m)				17.653	16.524	17.517	-3.797	-6.761	4.349	-3.517	8.001	12.282	26.369	27.428	25.332	19.588
Assets (\$m)				245.47	392.65	400.15	355.31	206.19	236.49	215.38	158.83	184.75	163.35	159.46	220.92	239.78
Profit:Assets				7.19%	4.21%	4.38%	-1.07%	-3.28%	1.84%	-1.63%	5.04%	6.65%	16.14%	17.20%	11.47%	8.17%
No of shareholders (x=not given)				7092	7646	7272	6169	5650	5237	5121	5099	5189	4554	4609	5075	5148
Preference				2654												
Auth Capital (\$m)				50	60	60	60	60	60	60	60	38.288	38.288	38.288		
Paid up Capital															68.565	69.084
Industry Classification												Reduced		MC Sold		50.1% Owned by
												Share Cap				Tubemakers NZ Ltd











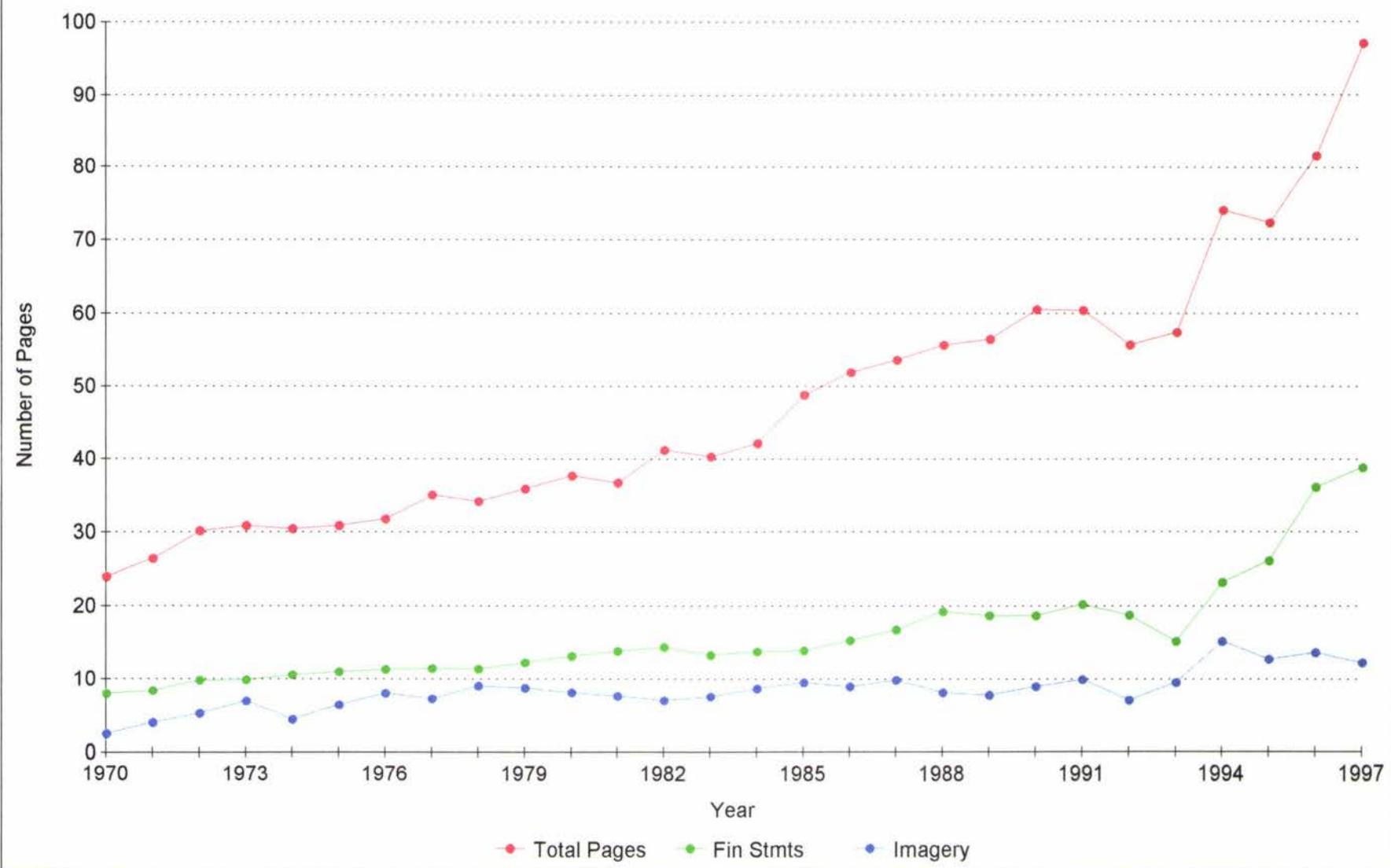


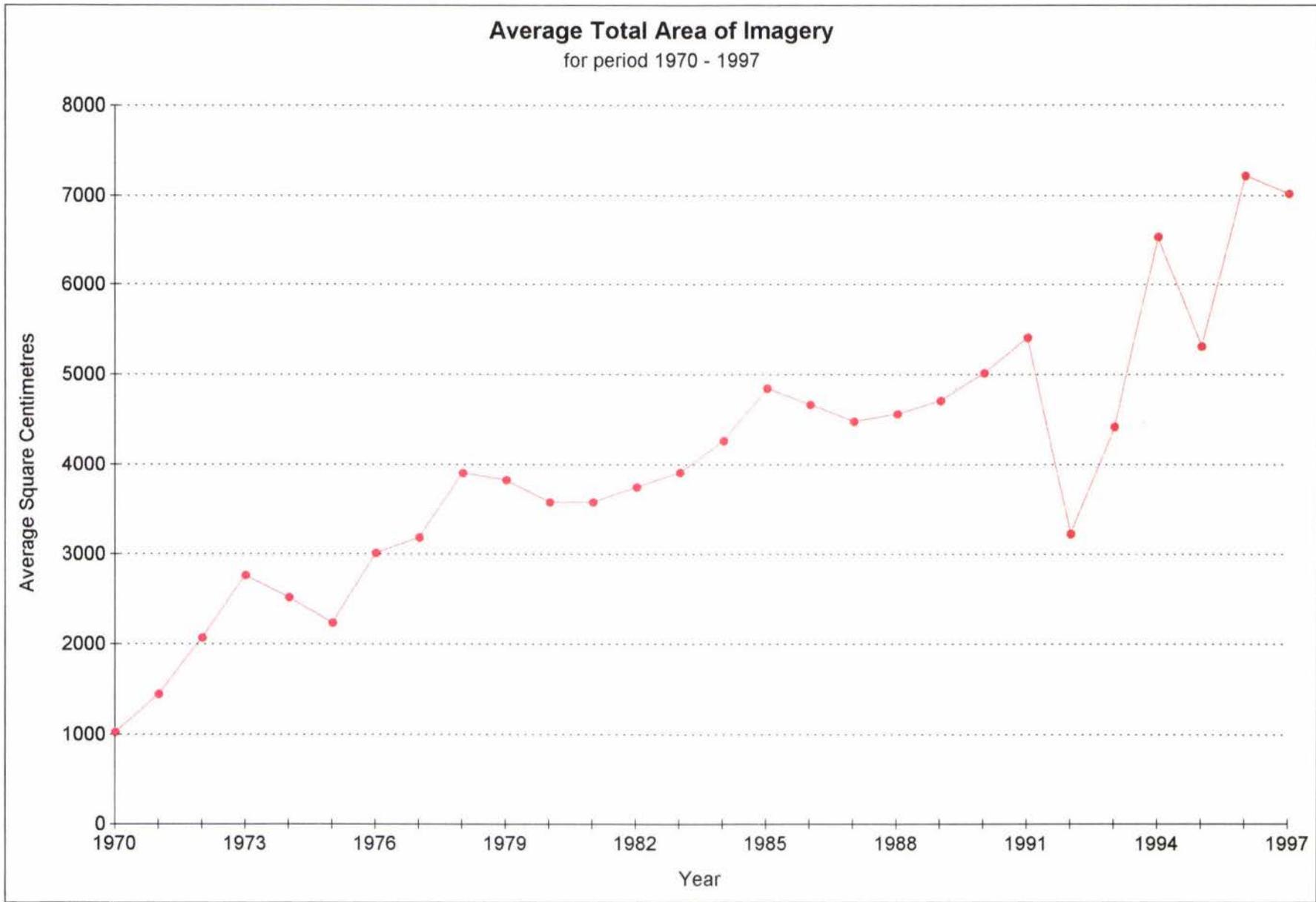


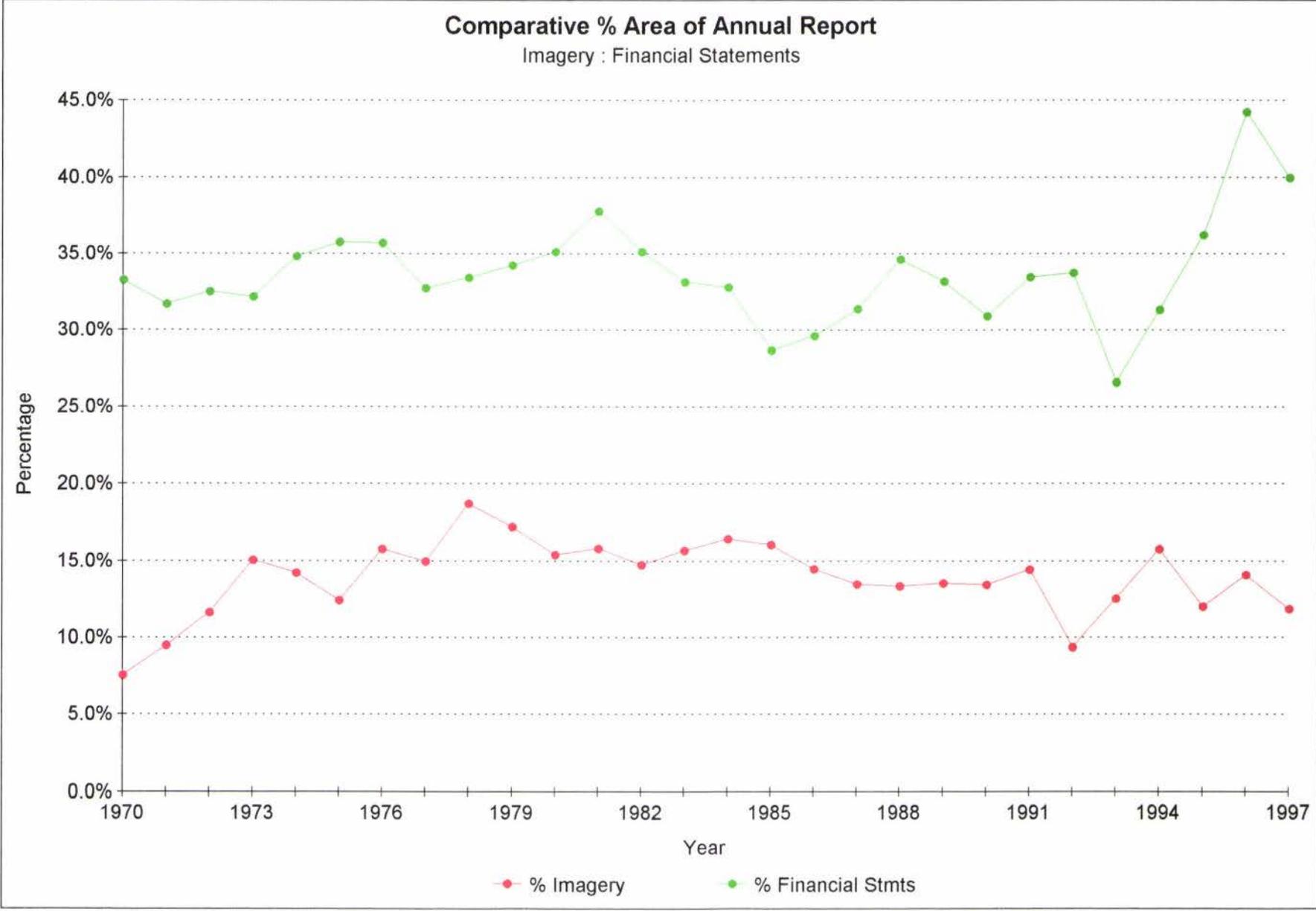


### Comparison of Average Number of Pages

Total : Financial Statements : Imagery

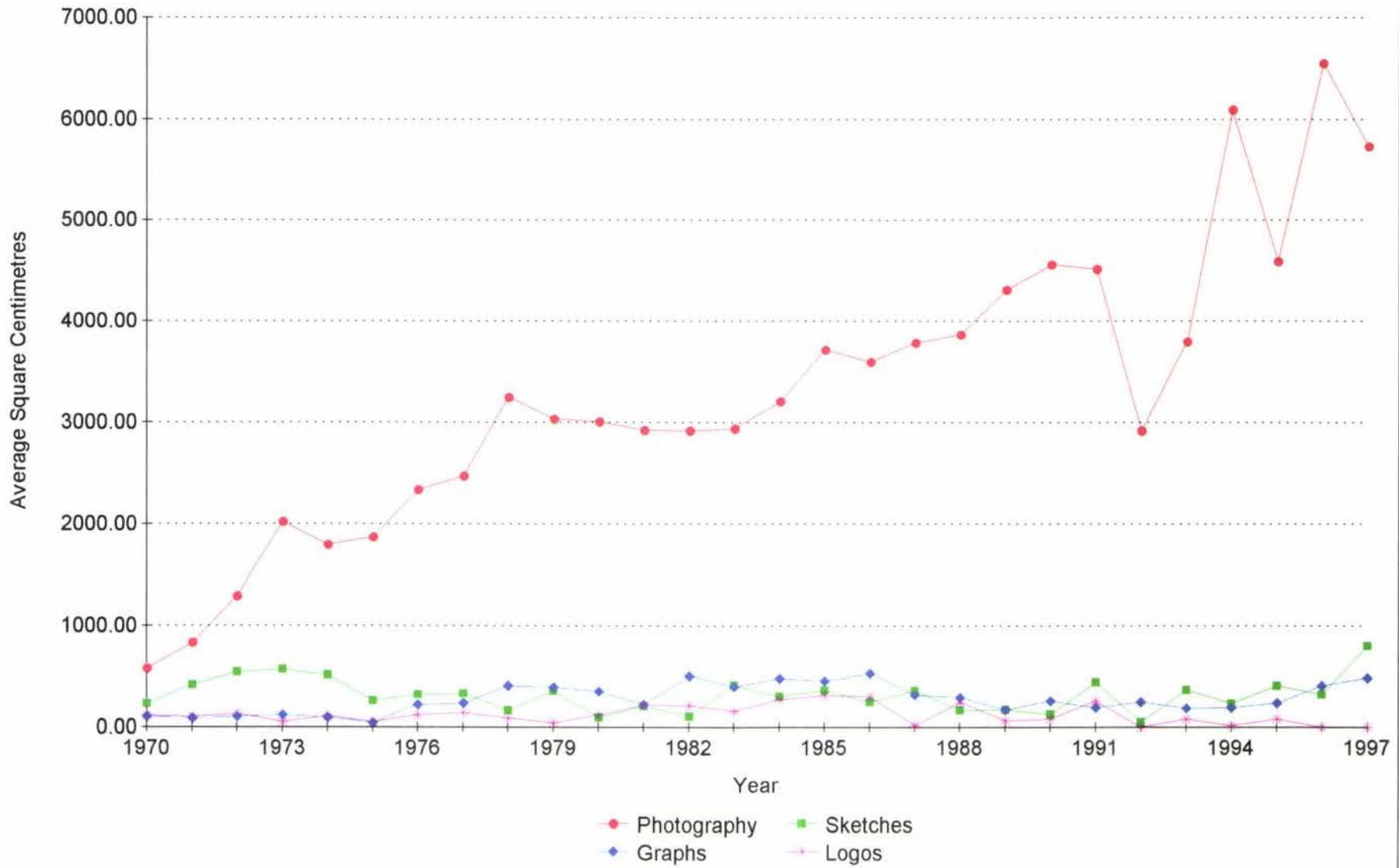




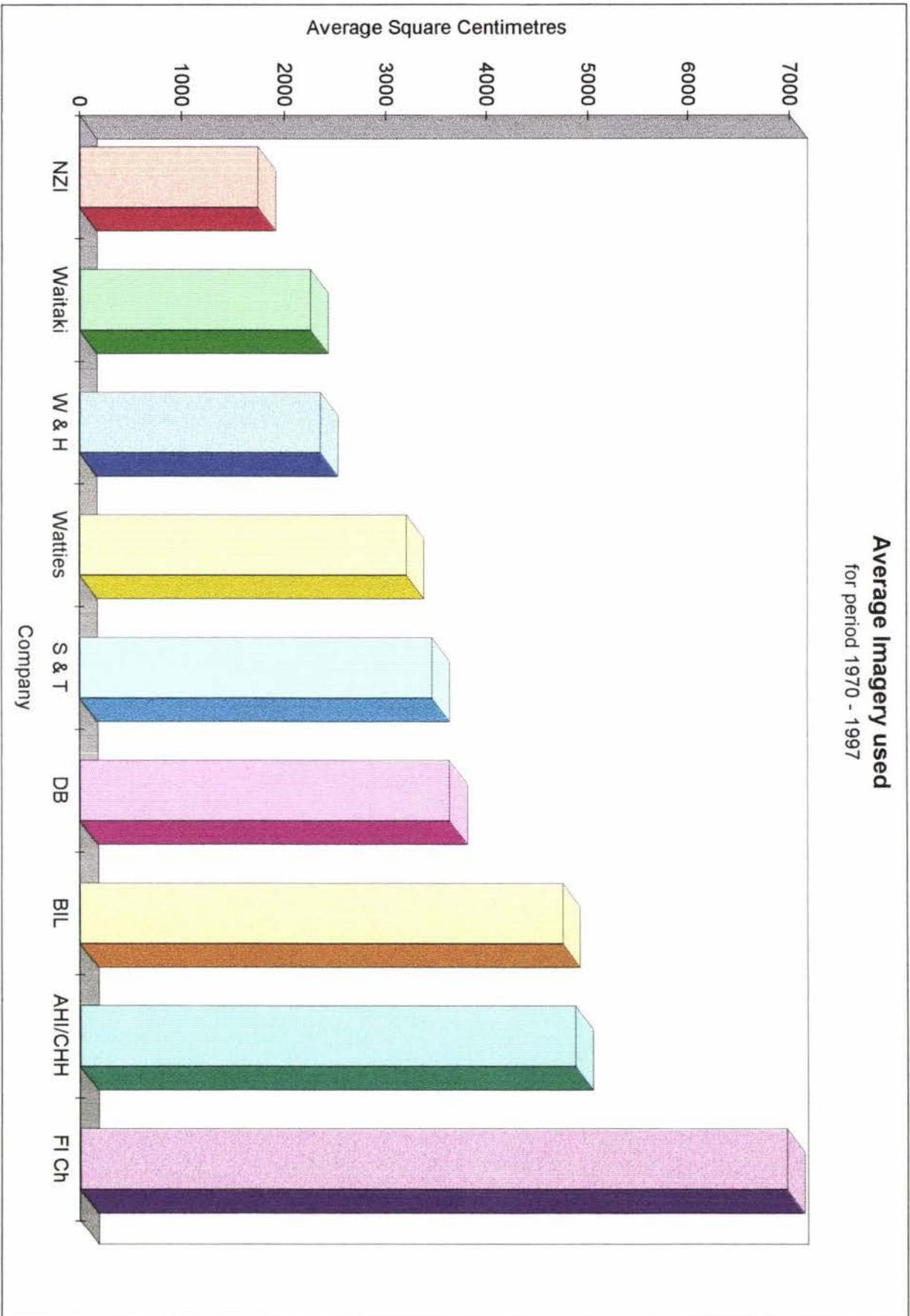


### Comparison of Areas of Imagery by Type

Photos : Sketches : Graphs : Logos



**Average Imagery used**  
for period 1970 - 1997



**Photography Areas by Category**  
(Top Five Categories)

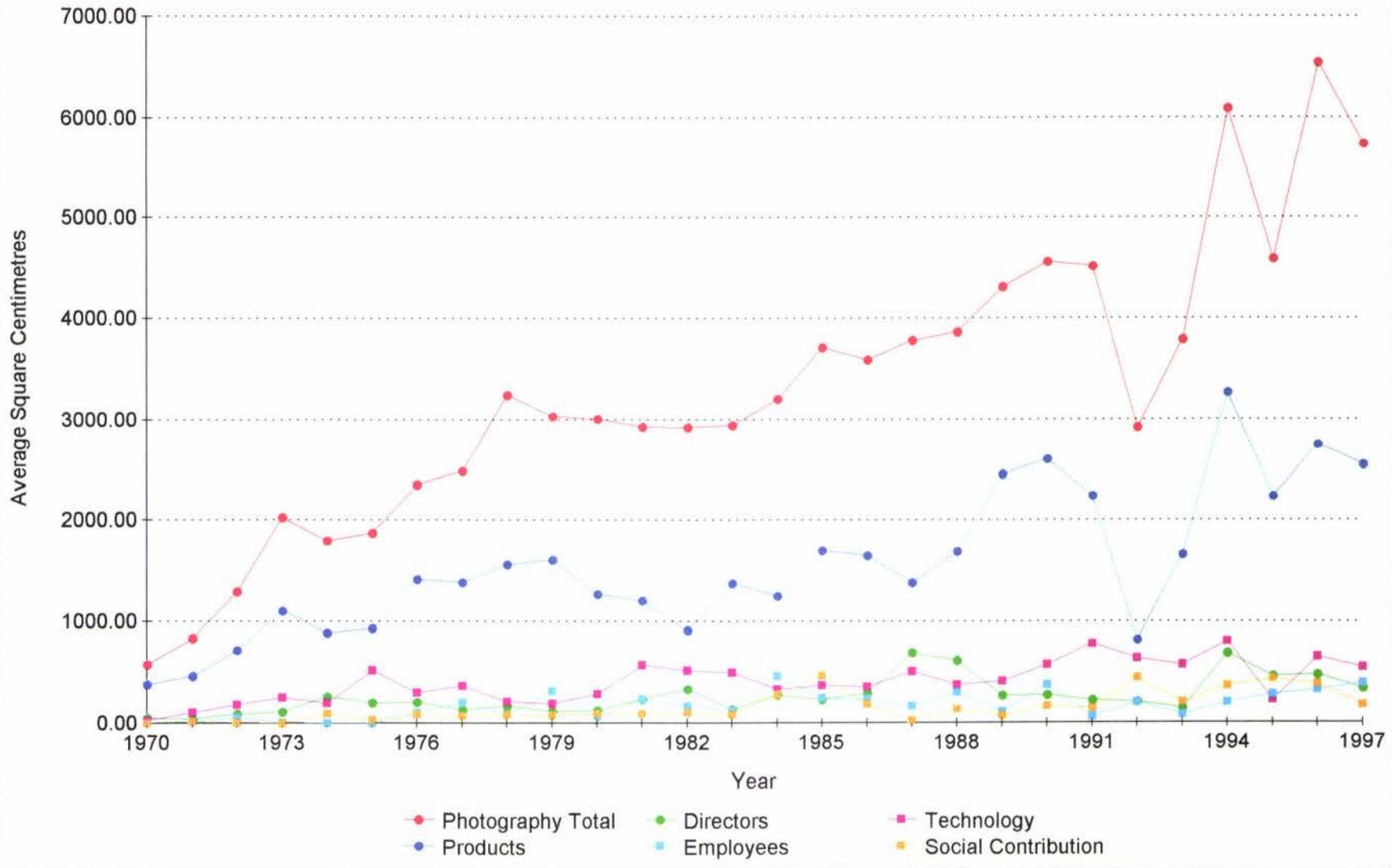
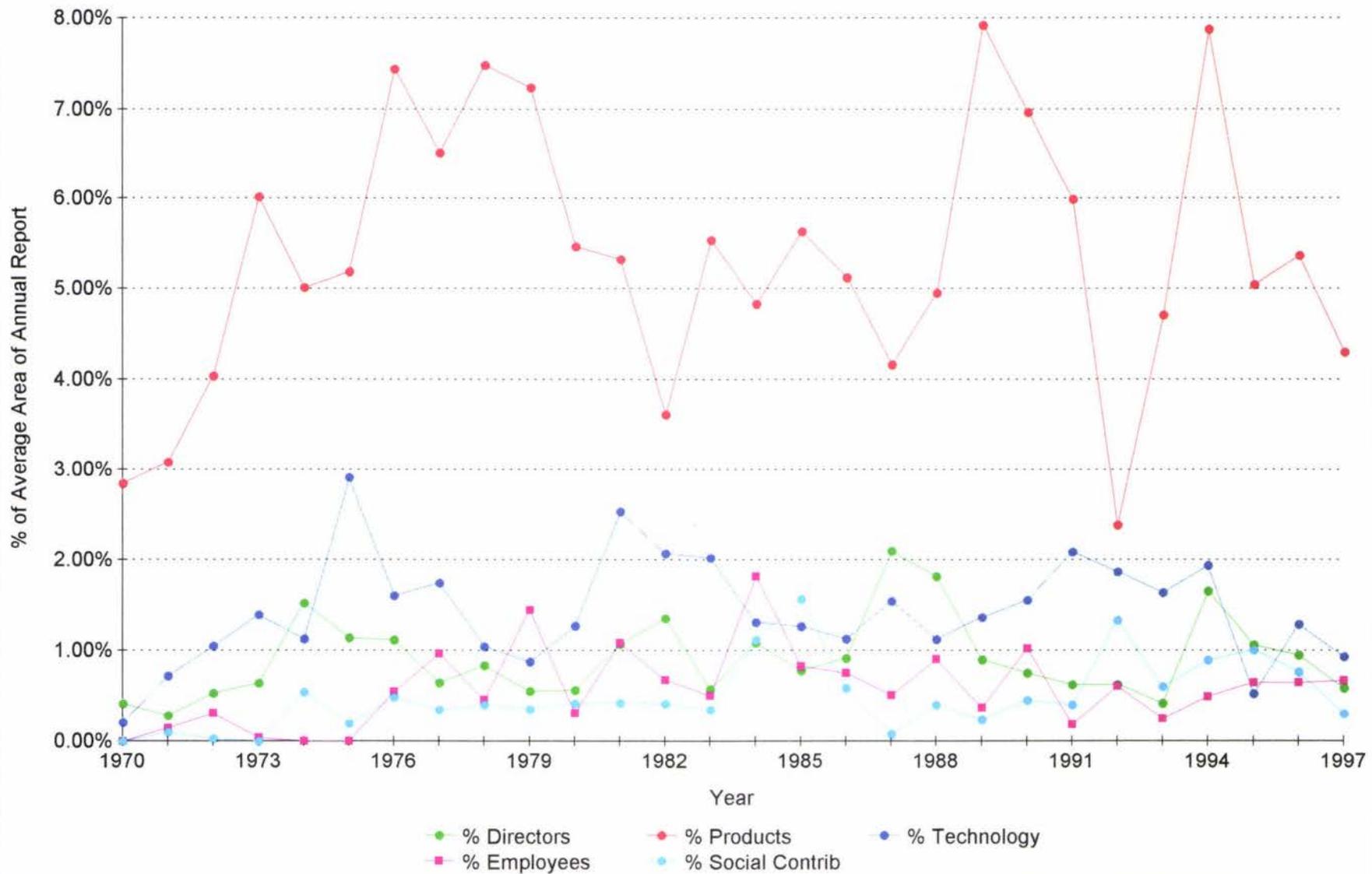


Photo Category as % of Report Area



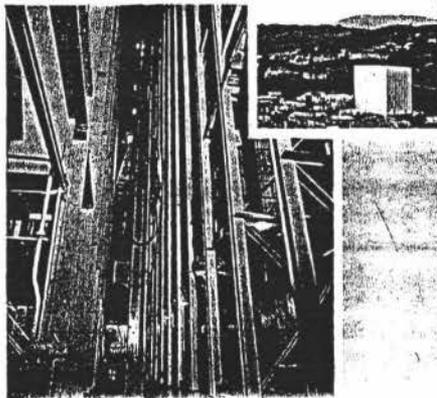


### GENERAL FOODS CORPORATION (N.Z.) LIMITED

Perhaps the most colourful of the Group's activities this year has been the opening of New Zealand's first Kentucky Fried take-away chicken bar at Royal Oak in Auckland! A company jointly owned by our General Foods Corporation (N.Z.) Limited subsidiary and Kentucky Fried Chicken Corporation of Delaware, U.S.A., owns and operates these attractive outlets and eventual turnover is expected to exceed one million. Tegel birds per annum. Further units will be opened in the Auckland metropolitan area after which activities will be expanded to other centres.



Along with a bright new brand image, the complete range of Irvines' products was this year subjected to a major packaging overhaul, resulting in the attractive and strongly branded packs seen above. Packaging plays a major role in the successful marketing of all Group products and designs such as these help to move more of our merchandise from supermarket shelves and freezers. The Cheesecake product is a first for New Zealand, being a completely finished frozen product. It is the result of a successful, co-ordinated research and development programme between two Group companies. The product is made by Wattie's in Gisborne, then promoted, distributed and sold by General Foods throughout the country.



The problems of acquisition and availability of suitable industrial land in and around Wellington city are well known, but General Foods has overcome its frozen food expansion problems by the erection of a unique zero temperature storage warehouse on its Johnsonville plant site. They've gone up. Seventy feet up in fact, with no floors in between. Finished products are multiple stacked, pallet upon pallet, and the many storage bays are serviced by a novel forklift appliance in a manner which allows the operator to place and locate palletised stock over any horizontal or vertical position from inside his fully heated cab. An economical and installable use of valuable land which has resulted in a fast, and very efficient frozen food storage system.

### CROPPER-NRM LIMITED

"Banlate" - a new product marketed by the Agricultural Chemicals Division of Nell Cropper & Co. Limited will make major contributions to the control of brown rot in the country's fruit crops.

The effects of spraying with Banlate are startling, as the accompanying photographs show, and the improvement in the Wattle pasch and other stone fruit crops alone will be of major significance to the Group.



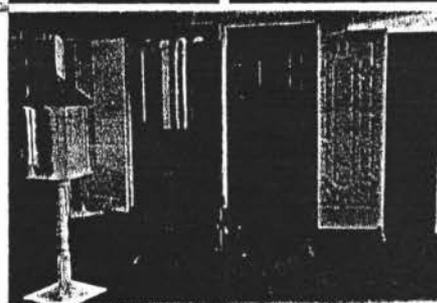
New products today are the cornerstones of tomorrow's growth. The W. F. Tucker subsidiary of Cropper-NRM Limited has recently introduced four new lines which have resulted from the identification of product opportunities in the consumer marketplace. Crumb 'n' bake - a powdered instant breakfast drink. Crumb 'n' bake - Crisp golden coverage for baking and deep frying. Seasoned Stuffing - a blended herb and spice mixture with many applications for busy housewives. 40 second Creamoats - super quick hot breakfast cereal.



As will be seen from the sales breakdown chart on page 29, stock feeds and flour milling operations account for a major percentage of the Group's business. The efficient distribution of freshly milled bulk products is an important aspect of this operation and modern transporters such as these provide a vital link between our mills and the factories and farms of our customers.



A major contributor to the non-food section of our operation is the business of another Cropper-NRM subsidiary - H. C. Kitchen Limited, suppliers of many products to the home improvement and building industry. Amongst its extensive range of wood products is the full range of high quality luxury home fittings from doors to fire surrounds, to kitchen cupboards, benches, lowered wooden doors and letter boxes, all sold under the Allanson brand. The fine craftsmanship of Allanson fittings has met with strong demand and provides further evidence of the wisdom of planned diversification of the Group's activities.



Example of "Mundane Photography" Type Photograph (Watties, 1971) Plate 1a



Colour packaging from Metal Containers.



The new "Snowtex" cartons manufactured by the Carton Division of Hygrade Packaging Company, Auckland. These cartons are printed on the Division's Ultra Man VI-G six colour press.

This year has been one of establishing representation and identifying areas for expansion; however after a modest initial loss both companies should pay their way next year.

N.Z. Overseas Trading Corporation Ltd. in its first full year since we acquired a major interest has considerably improved its profitability and strengthened its marketing activities. Changes in management in the Fiji and Singapore branches are aimed at producing more efficient representation of New Zealand clients in these areas with plans for future development and expansion. Major overseas contracts secured on behalf of New Zealand clients include two fertiliser contracts with Fiji Sugar Corporation and another with the Government of Western Samoa. The acquisition of AHI Agencies has broadened the base of this company and provided another avenue for future expansion.

In March 1979 we acquired a 50% interest in AHI Whimpway Ltd. which is being set up to manufacture and distribute electric powered gang mowers of patented designs.

**Metal Containers Group**

AHI Metal Containers recorded improved sales and earnings during 1978/79 reflecting increased consumer demand for

beverage products in cans and improved utilisation of productive capacity. Despite difficult trading conditions in certain markets, all operating units contributed satisfactorily to this result.

A major programme has been commenced to re-equip and upgrade older manufacturing facilities. Both Petone and Christchurch facilities are currently being improved as part of this programme.

**Paper Products Group**

Improved sales on the domestic market and a substantial increase in export sales over the previous year resulted in a significant increase in the group's profits.

In addition to the domestic demand being higher than last year the group improved its overall share of the fibreboard commercial packaging and printing markets.

Performance of the new corrugating and converting plant at Levin has reached planned levels. During the latter part of the year a new E flute single facer was added to the Christchurch corrugator. This facility has allowed the group to extend its Armalite marketing programme into the South Island in addition to catering for a growing demand for other E flute corrugated board in that part of the country. A new Komori 4-colour offset press was installed in Martin



ALEX HARVEY INDUSTRIES LIMITED  
and Subsidiary Companies

## New Zealand Glass Manufacturers Company The first fifty years

New Zealand Glass Manufacturers Company recently completed fifty years of glassmaking in this country.

In September, 1922, Australian Glass Manufacturers established a branch plant at Penrose. In the early years, there was only one furnace and manufacturing was confined mainly to amber glass bottles and jars for beer and malt. The plant employed a total of fifty people and initially operated only for a few months each year. Output was approximately 40,000 - 60,000 bottles per week. In the ensuing half-century, the plant has

grown with the New Zealand market. In 1950, a plant was established in Hornby, Christchurch to service primarily South Island requirements for glass containers and to make the large range of hand blown and machine made glassware for which Crown Crystal Glass is well known.

In 1969, the AHI Glass Products Group was established to co-ordinate all glass container and tableware manufacture in New Zealand.

Today this is the largest unit in the AHI Group. It employs approximately 800 people at Penrose and 600 at Hornby. Production capacity is now



ALEX HARVEY INDUSTRIES LIMITED  
and Subsidiary Companies

400 tons daily. More than 1,300 different bottles and jars are produced, as well as a wide range of table and illuminating glassware and annual production is approximately 200,000,000 units.

In addition to supplying virtually all the requirements of New Zealand in glass packaging, large exports in glass packaging, tableware and illuminating glassware are shipped throughout the Pacific and as far afield as England, Hong Kong and Japan.



Glass products for the nation  
the fifty year story of  
New Zealand Glass

## BIL and Ballet

Our recent commitment to a 5 year sponsorship of The New Zealand Ballet Company reflects our belief that an organisation which has achieved a measure of success in the commercial life of the country can, and should, make a contribution to culture and other worthwhile community activities.

It is a pleasure and a privilege to be associated with such a dedicated and talented team of New Zealanders as the Ballet Company.

We look forward to this association and the opportunity to draw mutual strength from striving for success in diverse fields but always to the best of our respective abilities.





ALEX HARVEY INDUSTRIES LIMITED

## Directors

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H. N. AVERY  
Chairman



I. A. HARVEY  
Deputy Chairman



R. W. BRACK



C. M. CAIRNS



SIR JAMES FORREST



T. A. R. GIBBS



W. A. HADLEE



R. HARVEY



W. A. HARVEY



SIR THOMAS RAMSAY



L. S. DRAKE  
Alternate for  
Sir James Forrest

## MANAGING DIRECTOR'S REVIEW



R. N. Mason  
Managing Director

The 1984-85 year was a very successful one for EMCO resulting in a total group profit of \$17,653,000 compared with \$10,881,000 in the previous year.

Since 1982, the major objectives of the EMCO Group have been to broaden our earnings base, consolidate new operations, and improve return on investment. I am pleased to report that these objectives have been achieved as is indicated by the healthy 1984-85 result. The various acquisitions and mergers — both by EMCO and within the various subsidiary groupings — which were necessary to successfully achieve our original diversification plan have all been well absorbed. The companies concerned have settled down and are working well for the Group.

The 1984-85 year was one of effective consolidation. The Group took breathing space to ensure that all operations were well founded, operating efficiently and making the best use of resources. The substantial amount of reorganisation involved has been completed.

EMCO's commitment to improving returns on our investment in all areas of activity is as strong as ever. Significant progress has been made as is evidenced by the fact that although Total Assets increased by 23 percent, trading profit after tax lifted 56 percent. Tight budgetary control and a continuous monitoring of expenses has helped to improve the position. As a result, the return on average shareholders' funds has improved from 13.7 percent in the prior year to 19.4 percent for 1984-85.

Emphasis has continued on our overseas operations, particularly Australia and Singapore. Healing Industries Pty Ltd, with two Sydney manufacturing plants covering paint and chemicals, increased local production. The Singapore subsidiary, Epiglass (S) Pte Ltd, opened a new factory and warehouse within the Republic for the manufacture of paint, including the Transocean range. These offshore developments add a new dimension to our activities.

## DIRECTORS' REPORT



L. M. Papps,  
Chairman

Your Directors have pleasure in submitting their Annual Report together with the audited accounts of EMCO Group Limited and its subsidiaries for the year ended 31 March 1985. Group total profit after tax and including non trading profits is \$17,653,000, 1984-85 being another record year. Full financial details are set out in the following Table which forms part of this Report.

### Dividends

On 2 November 1984, a tax-free Interim Dividend of five cents (5%) from Capital Reserves was paid in respect of the year under review. A second Interim Dividend of three cents (3%) from revenue sources was paid on 18 December 1984. Subsequently, a third Interim Dividend (in lieu of a Final Dividend) of twelve cents (12%) was paid on 24 May 1985. One-third of this came from tax-free sources. The dividend for the year is twenty cents (20%) of which nine cents came from tax-free sources. As the third Interim Dividend was paid on EMCO's capital as increased by the May 1985 1 for 5 Bonus Issue, the total dividend for the year represents an increase of 32% over the previous year.

### Capital

As at balance date, the issued ordinary share capital of EMCO was \$31,270,000 to which is added the six million 16% specified preference shares of \$1.00 each, giving a total issued capital of \$37,270,000.

After balance date, a 1 for 5 Bonus Issue was made on 24 May 1985 pursuant to which a further 6,253,862 ordinary shares were issued. Pursuant to the original terms of issue, the Specified Preference Shares on conversion to ordinary shares will have allocated to them the proportionate bonus element.

### Takeover activity

On 17 April 1985, Brierley Investments Limited served on EMCO notice of intention to make a formal takeover offer for all the shares in the Company, the consent of the Commerce Commission having been obtained. In the event, Brierley stood in the market and obtained approximately forty percent of EMCO's voting capital. Subsequently, Brierley did not proceed with its formal takeover offer, but sold its EMCO holding to Steel & Tube Holdings Limited. The EMCO Board is pleased with this outcome and considers there will be advantages to both EMCO and Steel & Tube arising out of this close association. At the present time, Steel & Tube hold approximately sixty-five percent of the EMCO voting capital.

### Directors

Prior to Brierley's withdrawal, it requisitioned an Extraordinary General Meeting of EMCO shareholders for the purpose of appointing five Brierley nominees to the EMCO Board as additional Directors. The meeting was held and the five Directors appointed.

## History

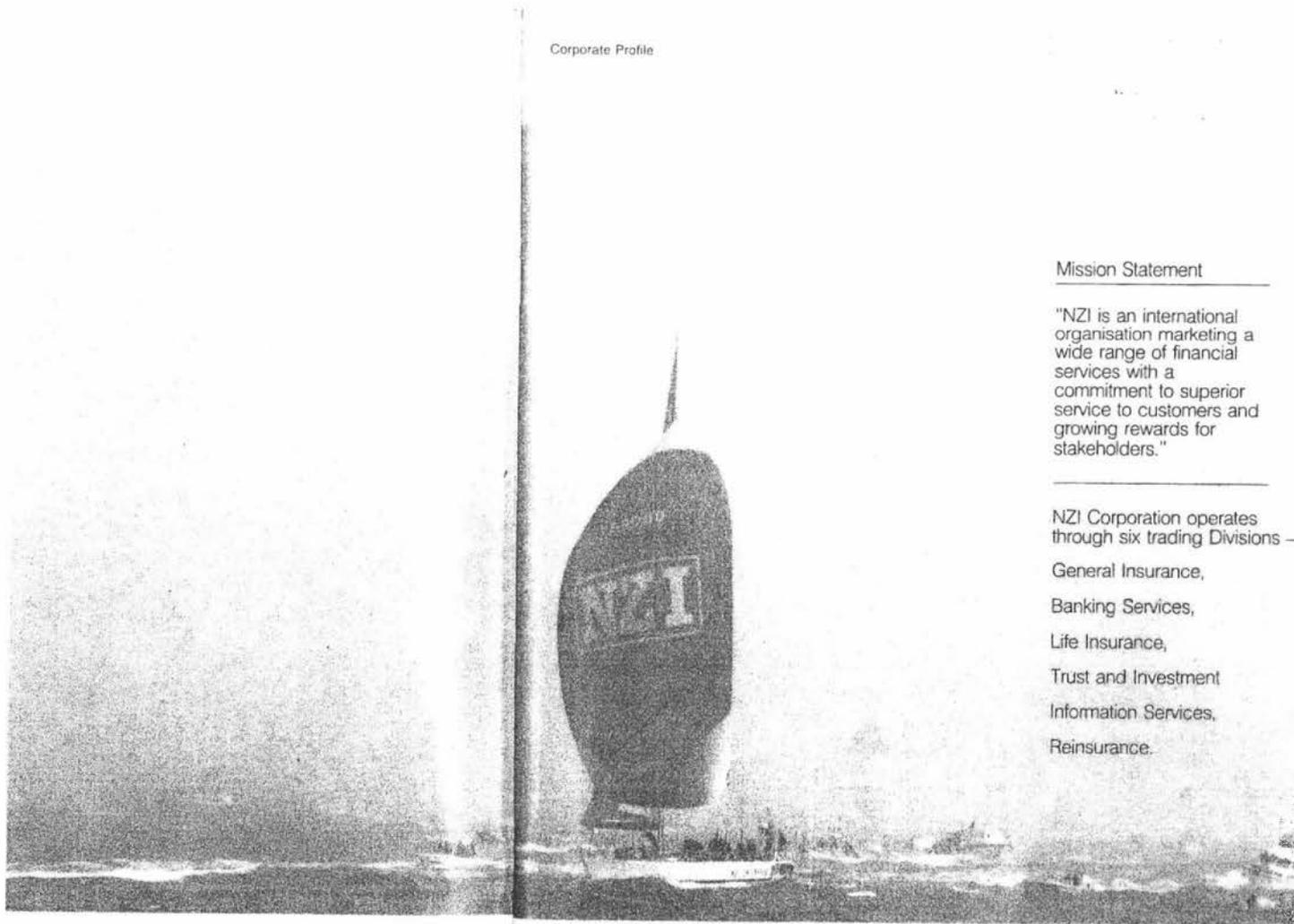
NZI Corporation was formed in 1981 from the merger of The New Zealand Insurance Company (founded 1859) and The South British Insurance Company (founded 1872)\*. From their early beginnings the founding companies had grown rapidly on independent but remarkably parallel paths to gain a significant presence in international insurance markets. By the late 1880's each was represented in more than 20 countries.

The merger in 1981 was seen as a logical step to provide the strength and resources to meet the challenges and opportunities of the rapidly expanding international financial services industry.

NZI Corporation today is one of New Zealand's largest public companies and a truly international company operating in 22 countries. Although its principal business remains general insurance, it has diversified in recent years to now provide a wide range of financial and related services.

\*After the merger in 1981 the company was initially named "The New Zealand South British Group" until the name was changed to NZI Corporation on 30 May 1984.

## Corporate Profile




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 Mission Statement
 

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"NZI is an international organisation marketing a wide range of financial services with a commitment to superior service to customers and growing rewards for stakeholders."

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NZI Corporation operates through six trading Divisions –

General Insurance,

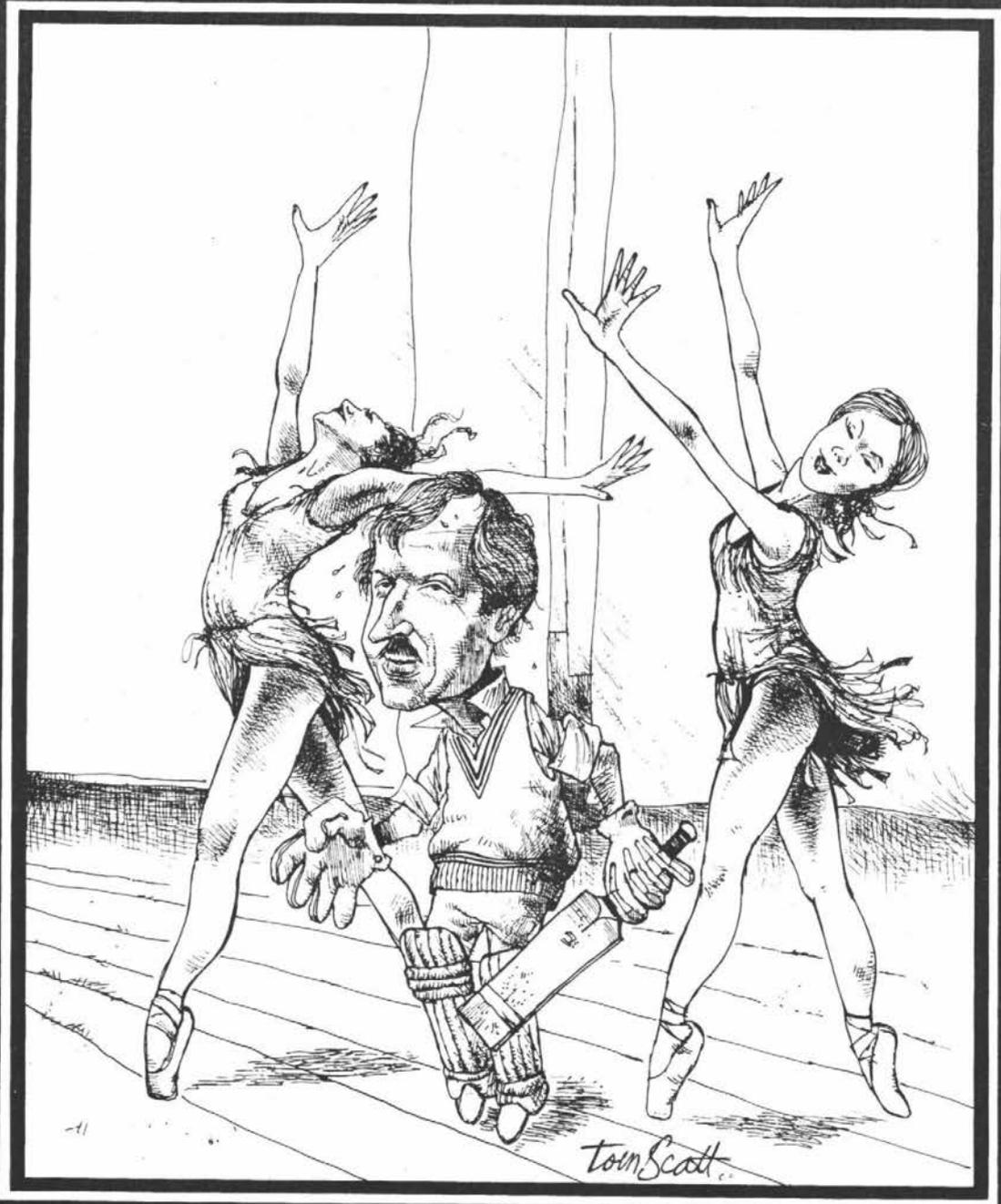
Banking Services,

Life Insurance,

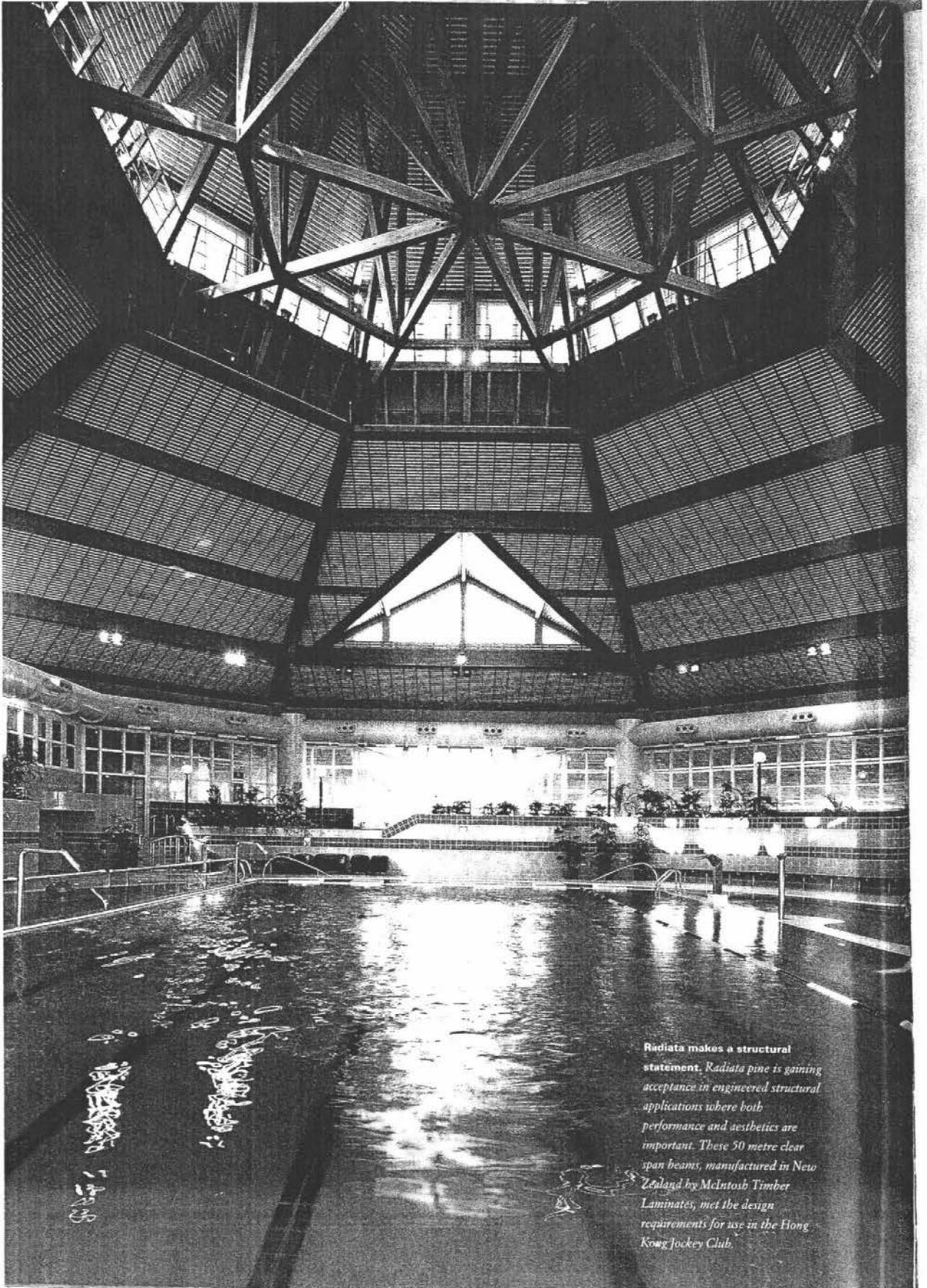
Trust and Investment

Information Services,

Reinsurance.



Official Sponsors to The New Zealand Ballet Company and the Cyclone Hawke Cup.



**Radiata makes a structural statement.** Radiata pine is gaining acceptance in engineered structural applications where both performance and aesthetics are important. These 50 metre clear span beams, manufactured in New Zealand by McIntosh Timber Laminates, met the design requirements for use in the Fong Kow Jockey Club.

**Typical logger.**  
Tasman Forestry  
logging contractor  
Howard Skippis  
leads a crew near  
Kawerau.



**Pest control.** Edith Fredes, pest control supervisor for Forbio, checks a shoot moth trap in a radiata pine forest. The trap is set with a sticky substance to attract the male moth. All the company's foresters are trained to detect the presence of shoot moth and to apply different control methods – biological, mechanical and chemical. Forbio is also involved in joint venture research with other forestry companies to establish better control methods for the moth.



**The Art of Pine.**

Radiata pine is finding a place among some of the more innovative New Zealand furniture pieces being made. Excellent machining characteristics and an ability to take colour, led to New Zealand sculptor, David Trubridge, using radiata to design this chair, which won the 1993 Radiata Pine Design Competition, sponsored by Tasman Forestry.

a similar programme for school children in Chile.

The value generated for shareholders today is a combination of years of research and skill in forest management. Opportunities in the future will lie in continued tree research, the development of new, faster-growing species and realising greater value from the existing forests through management and marketing.

**Product and market development** provide the backdrop to our future strategy. The Forests Division's knowledge of processing and conversion technologies is being shared with key customers, so they are able to use radiata pine in a greater range of high-value, solid wood applications. In one project, Tasman Forestry is working with the New Zealand Forest Research Institute to research a wood-hardening process which will enable radiata pine to be used for high-wear uses such as furniture and flooring.

Many Asian and American customers are seeking

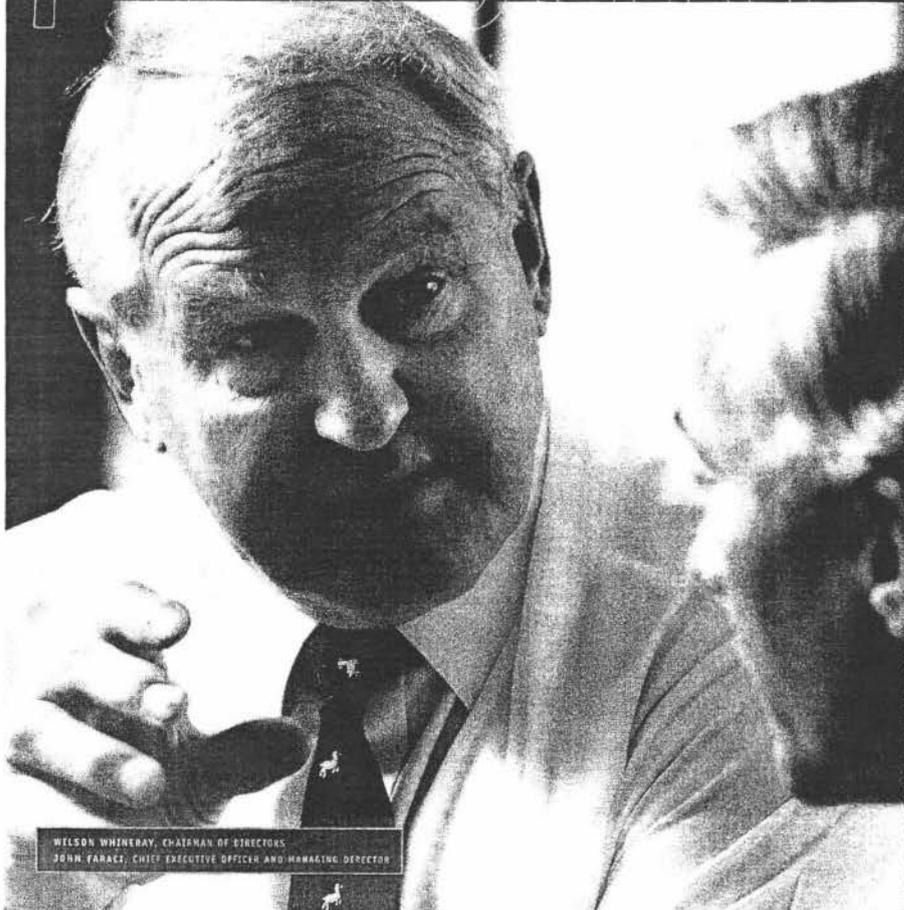
alternative sources to replace the diminishing supplies of traditional species from natural forests in both South East Asia and the American Pacific Northwest. Technologies developed in New Zealand enable radiata to be substituted for many products. This trend has provided openings in new, high-value markets.

Improved drying techniques mean radiata meets the demanding performance standards of the American moulding and millwork sector. Close co-operation with Japanese housing companies has led to the growth of a market for engineered products made from short lengths of wood. In Taiwan, China, Japan, Korea and Thailand, similar initiatives have helped customers switch to radiata for plywood production. They have made substantial investments in new plywood capacity, based on radiata pine.

The Forests Division's drive for greater operational efficiency and smart management is relentless, with

HOW DO YOU

## MEASURE



WILSON WHINERAY, CHAIRMAN OF DIRECTORS  
JOHN FARACKY, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

"Our improvements in major areas such as health and safety, product quality, manufacturing efficiency, market development and environmental performance are clearly visible. We are driven by the needs of our customers."

## PROGRESS?

The 1996 fiscal year was one of progress and change for Carter Holt Harvey. For the first time the Australian Tissue business was included for a full year and our sales surpassed \$3 billion, rising 13 percent above the previous year. Net income rose \$8 million to a record \$453 million. We increased the dividend from 9 cents to 10 cents per share and ended the year in a strong financial position, with a ratio of total debt to total capitalisation of 28 percent.

We achieved these results in what proved to be a transition year in many of our most important markets.

Our Forests and Wood Products businesses accounted for 35 percent of the company's sales and experienced difficult trading conditions. Forests saw mixed markets for export logs. Wood Products results were affected by a 10 percent decline in new housing approvals in New Zealand and a more pronounced 30 percent in Australia. Adding to the competitive pressure was a strengthening New Zealand currency which, on average, appreciated 9 percent against the United States dollar during the year.

Despite this environment, Wood Products launched an important offshore market initiative in the form of its first joint venture in Thailand to distribute structural timber for residential end uses. Strategies to develop a stronger position for radiata pine timber in the appearance grade and construction markets also came to fruition in 1995/96. Sawn timber sales to the United States increased 35 percent, and 22 percent to Japan, over the previous year.

For the first five months of the fiscal year, market conditions in pulp and paper worldwide were very strong, with prices and demand continuing their upward momentum. By mid-year, the combination of inventory accumulation and a slow-down in economic activity led to a precipitous decline in prices and demand. As we close the year, pulp prices have nearly halved from the peak reached last June.

In the first full year, the combined New Zealand and Australian Tissue business captured many of the synergies identified at the time of the acquisition of Bowater Tissue Australia. At the same time, Carter Holt Harvey Tissue introduced 37 new products and achieved important market share gains in the facial and paper towel product lines. We see many opportunities ahead to sharpen our marketing focus and to improve our manufacturing economics.

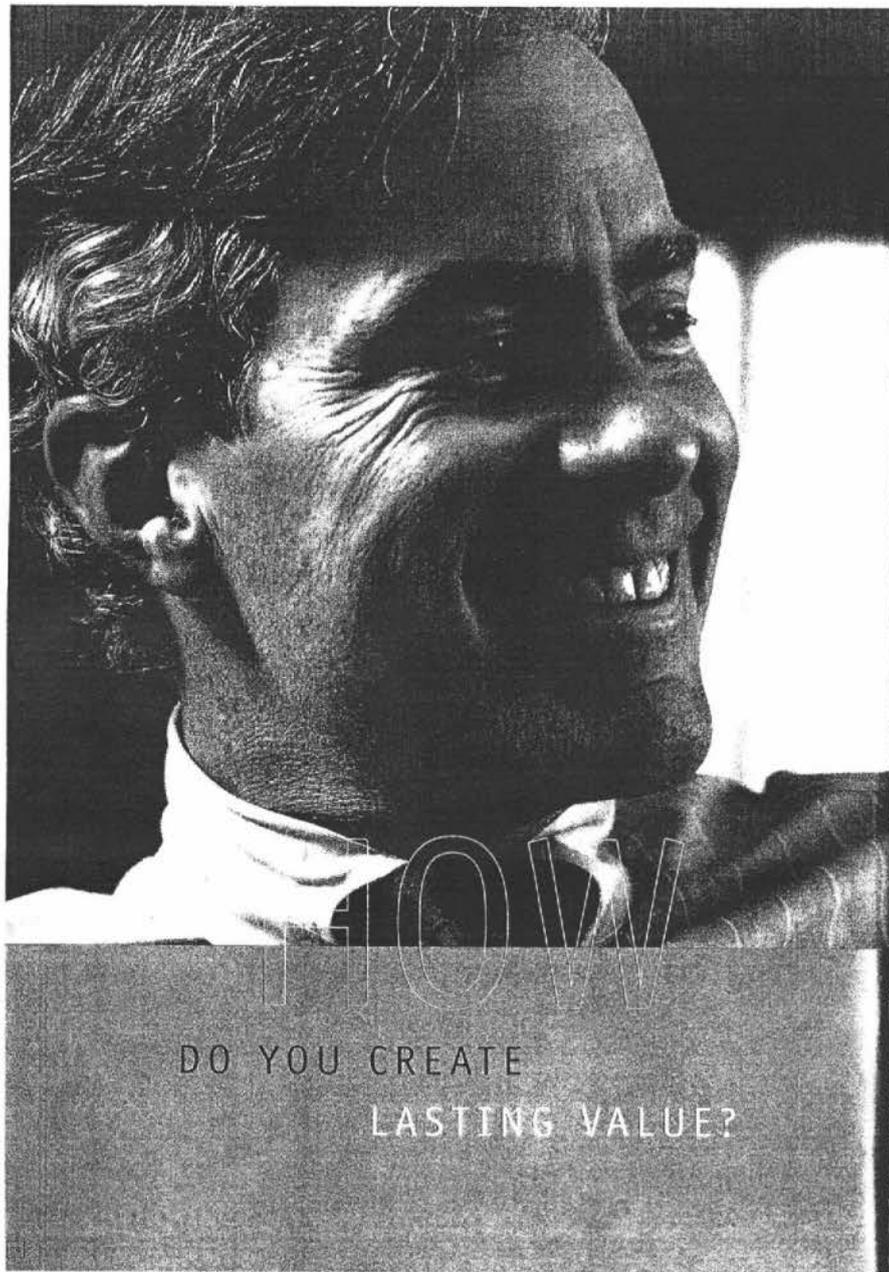
In Chile, we commissioned a new plastics packaging facility. This plant gives us the capability to participate in the growing flexible packaging segment of the market. Sales of plastics packaging in Chile have doubled in the five years.

## GROWING GLOBALLY

While our base is clearly in New Zealand, Carter Holt Harvey is becoming a truly international company. This past year, sales outside New Zealand increased to 46 percent of our total sales.

Building on our growing renewable forest resource and expanding our manufacturing capacity are fundamental to a profitable future. Investigating new markets for products manufactured in New Zealand - an potential overseas investments - will continue to be a major focus for the company.

To grow profitably however, we must have a solid business foundation. We will continue to evaluate each of our businesses in terms of current performance and long-term potential. Each must earn returns over the business cycle that are above the cost of capital. Each must be internationally competitive to reach and maintain this level of financial performance. Our growth plans are focused and we have the discipline and patience to look for, and find, the right expansion opportunities which will generate good returns for our shareholders.



HOW  
DO YOU CREATE  
LASTING VALUE?

INTERVIEW WITH THE CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

"In my view the question is not whether we *can* compete, because we are competing successfully today. The real question is how are we going to keep pace and be change leaders over the years to come?" *John Faraci*

**What do you want to achieve at Carter Holt Harvey?**

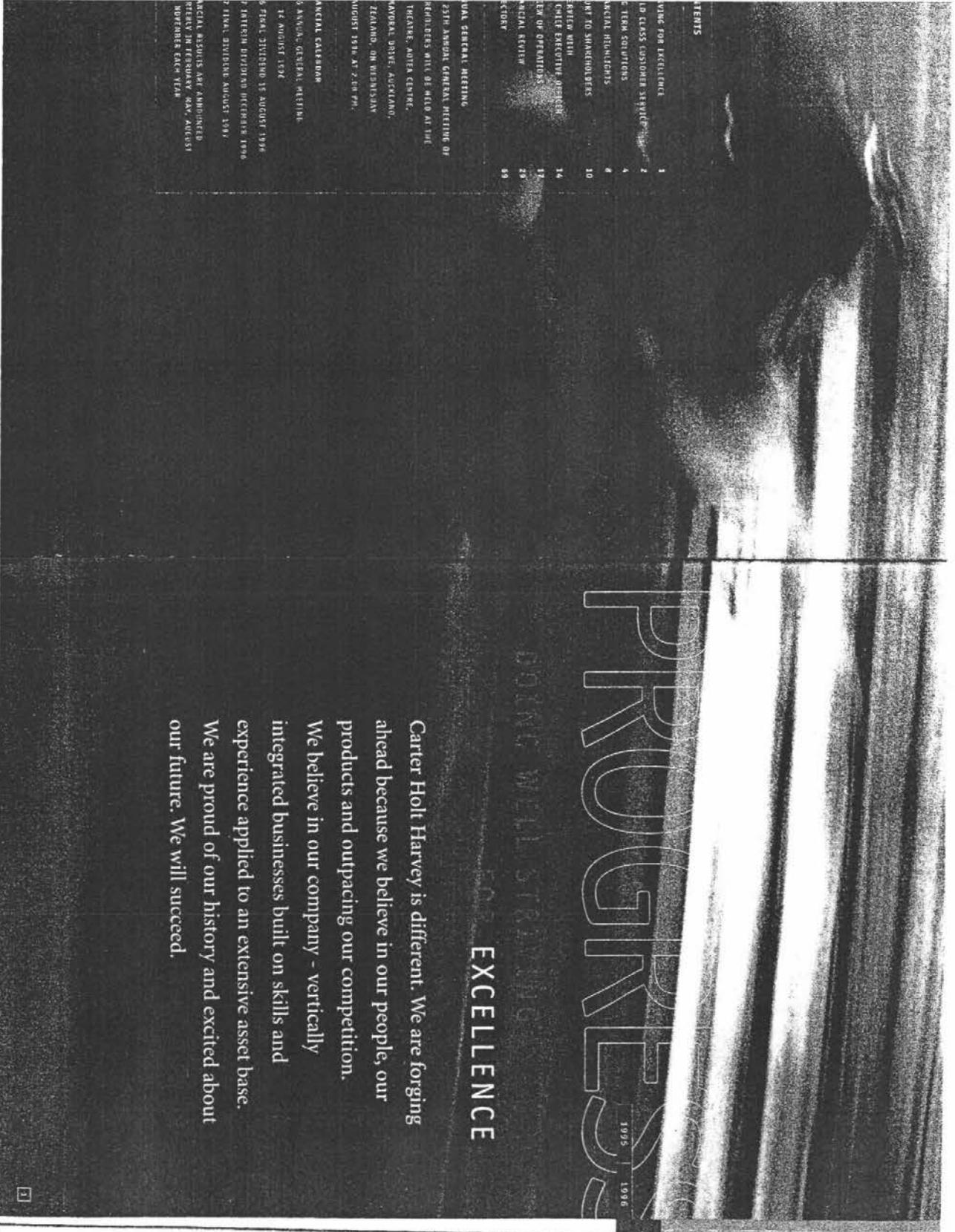
I want to ensure Carter Holt Harvey becomes the world-class company has the potential to be. This company is well resourced, has excellent people and a solid position in the domestic market. These are good platforms for growth in international markets. The area where I think can contribute most is in helping to develop a working environment & culture that drives the company to do things better - better health and safety performance, better customer service, better products and better returns for shareholders. The differences between where we are today and our potential are what we call performance gaps. The challenge for the senior management team and for all our employees is to address and close these gaps.

**So what are your plans for developing Carter Holt Harvey internationally?**

The rate of growth in our forest resources and the markets for our products means that future growth for our company will come from offshore. Today, almost 50 percent of our sales are outside New Zealand. We have to go where the opportunities are and look to expand our core businesses in places where we can be successful and add value for our shareholders. Some of those investments will be in New Zealand, and will sell the product we make to customers overseas. Some of the opportunities will be investments outside New Zealand. The key in whatever we do is to be internationally competitive.

**Can Carter Holt Harvey compete in the international marketplace?**

In my view, the question is not whether we *can* compete, because we are competing successfully today. The real question is how are we going to keep pace and be change leaders over the years to come? People, customer service and product quality all help to differentiate our company from competitors. But our price must be right for the value we provide our customers or we'll get nowhere. We have a good cost structure, but we don't have the kind of cost structure that will carry us into the future. As a company we need to be proactive about change rather than sitting back and waiting until we are forced into it. It's also important to remember that being internationally competitive goes far beyond having the right cost structure. To me, customer focus is a more important element.



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30 ANNUAL GENERAL MEETING  
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 MEMBERS WITH Q&A WITH ALFRED  
 THOMAS, AOTEA CENTRE,  
 HAWKESBAY DRIVE, AUCKLAND,  
 ZEALAND, ON WEDNESDAY  
 AUGUST 1996 AT 7.00 PM.  
 32 ANNUAL CALENDAR  
 33 ANNUAL GENERAL MEETING  
 14 AUGUST 1997  
 34 FISCAL DIVIDEND 15 AUGUST 1996  
 35 INTERIM DIVIDEND DECEMBER 1996  
 37 FISCAL DIVIDEND AUGUST 1997  
 38 FINANCIAL RESULTS ARE ANNOUNCED  
 REGULARLY IN FEBRUARY, MAY, AUGUST  
 AND NOVEMBER EACH YEAR.

PROGRESS

1995 | 1996

FOR EXCELLENCE

Carter Holt Harvey is different. We are forging ahead because we believe in our people, our products and outpacing our competition. We believe in our company - vertically integrated businesses built on skills and experience applied to an extensive asset base. We are proud of our history and excited about our future. We will succeed.

Progress and Success (CHH, 1996)

Plate 9c

# VALUE

WHERE WE'VE COME FROM,

AND WHERE WE'RE GOING

**FINANCIAL HIGHLIGHTS**

For the years ended 31 March	1996	1995
<i>Dollars in millions except per share amounts</i>		
Net Sales	\$3,075	\$2,718
Earnings before Interest and Tax	\$545	\$570
Profit before Tax	\$442	\$476
Net Earnings	\$453	\$445
<hr/>		
Earnings per Share	26.2c	26.2c
Dividends per Share	10.0c	9.0c
Shares Outstanding (millions)	1,727	1,726
Net Tangible Asset Backing per Share	\$2.72	\$2.52
Return on Shareholders' Funds	9.3%	9.9%
<hr/>		
Total Assets	\$7,732	\$7,527
Total Equity	\$5,073	\$4,741
Net Interest-Bearing Debt	\$1,891	\$1,936
Net Interest-Bearing Debt to Capital Resources	37.3%	40.8%

Highlights of the year

Net sales exceeded \$3 billion - a 13 percent increase over the previous year.

Production volumes have improved in all businesses.

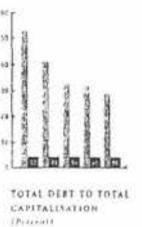
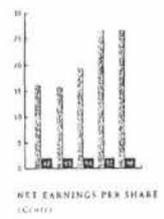
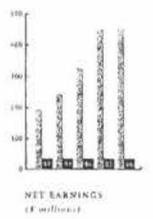
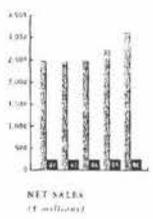
Continued development of overseas markets. Sawn timber sales increased 55 percent to the United States and 22 percent to Japan.

Our products opened an office in Japan in 1996 under a first joint venture agreement in the region.

In 1996, our Chilean subsidiary, Zelnor, completed a major expansion project, exceeding expectations.

A new US\$10 million high-tech packaging facility was commissioned in Santiago, Chile.

Directors have recommended a final dividend which will increase the total dividend for the year from 9 cents to 10 cents per share.



During the year we also undertook or commenced a number of restructuring initiatives aimed at improving the focus and the future performance of Fletcher Challenge Building.

Firstly, we announced an intention to withdraw from construction activities in Asia and mainland USA, and a major reorienting of our construction business in Australia. The withdrawal from Asia and mainland USA reflects our desire to concentrate our activities in markets where we can achieve, through the client involvement in building materials. The downsizing in Australia is aimed at restoring that operation to profitability.

Secondly, in response to the current and forecast market conditions for medium density fibreboard (MDF) in the region, we undertook a major re-engineering exercise in our Fletcher Wood Panels business. It identified potential cost savings of \$40 million per annum to be achieved through product and supplier rationalisation, demand generation strategies, and operational enhancement. Successful implementation should see earnings progressively returned to 1995 levels by 1998.

Thirdly, we reached agreement with Fletcher Challenge Forests for the sale of the solid wood processing activities of Fletcher Challenge Building in the central North Island of New Zealand. Sale of these activities to Fletcher Challenge Forests will provide funds for reinvestment in our own activities and tighten the strategic focus of Fletcher Challenge Building.

The proposal requires approval by shareholders of Fletcher Challenge Building and Fletcher Challenge Forests at the Annual Shareholders' Meeting in October.

Looking forward, we are confident that provided business confidence in New Zealand is not seriously damaged in the transition to MMP government, domestic market conditions will remain positive. Housing starts look set to rise after a decline in 1996. Remodelling expenditure should rise, assisted by cuts in personal tax and infrastructure spending will almost certainly increase. The Auckland region is likely to enjoy continuing above average growth and Fletcher Challenge Building's

major presence in the Auckland market is a significant plus in this regard. The Australian economy - which affects us indirectly - is also improving and housing starts should begin to fit during the current year.

The long-term fundamentals of the New Zealand economy remain attractive and against this backdrop we are well placed to take advantage of future opportunities.

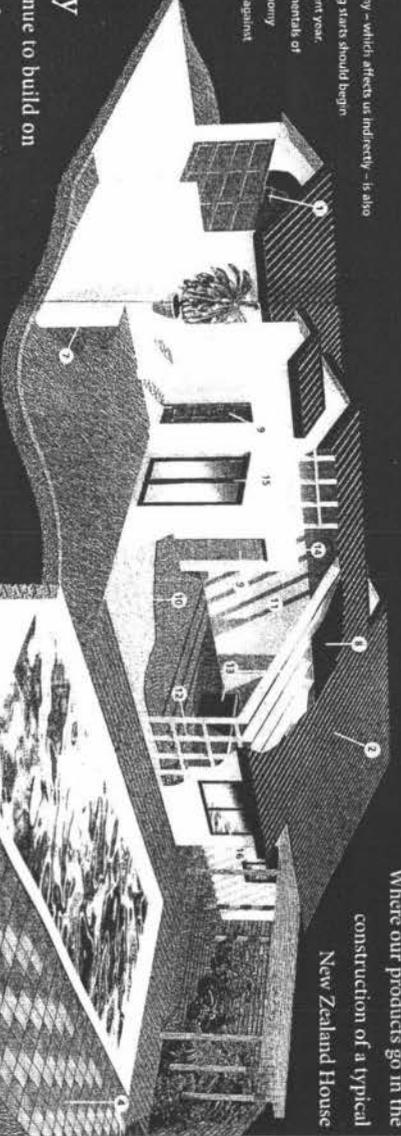
## Strategy

We will continue to build on the strength of our competitive position in New Zealand, based on involvement at all stages of the chain from resource to customer and a commitment to international best practice in our operations.

We see potential to grow in New Zealand through opportunities such as the recent purchase of Fletcher Aluminium, an aluminium extrusion company manufacturing window and door frames primarily for the domestic market. While our predominant focus will continue to be New Zealand, our strong domestic competitive positioning means there are natural links to our ability to grow in this market. Recognising this, we will seek over time to develop opportunities in a small number of other markets where we see the potential to use our special skills - for example in small plant operation - and to replicate the resource to customer positioning we enjoy in New Zealand.

Left to right: Ken Howard, Chief Executive, Concrete Industries and Materials; Tony McGeaghen, Chief Executive, Fletcher Challenge Building; Mark Stone, Chief Executive, Fletcher Composites; David Stone, Chief Executive, Building Products; and Mike Smith, Chief Executive, Fletcher Challenge Steel.

PAGE TWO



Where our products go in the construction of a typical New Zealand House

Steel	
1.	Structural steel beams
2.	Long run roofing
3.	Reinforcing rod & mesh
Building Products	
8.	Building papers
9.	Doors
10.	Particleboard flooring
11.	Trusses
Concrete	
4.	Birds and pavers
5.	Ready-mix concrete
6.	Aggregate
7.	Concrete blocks
Framing	
12.	Framing
13.	Decorative MDF
14.	Particleboard
15.	Aluminium doors
16.	Aluminium windows

We have already identified regions in South America which offer this potential. Fletcher Challenge has been operating in Chile and Brazil for nearly 10 years in forestry and newsprint. We are familiar with the environment and are attracted by the region's high growth rates and significant needs for housing and other infrastructure. Currently, we have a small presence in the cement and rebar markets in Peru and Bolivia. Our intention is to grow these activities as opportunities and resources allow, and within our overall framework which requires that our asset base remains clearly weighted in favour of New Zealand. Expansion of our offshore activities will occur only when we have satisfied ourselves, through performance, that the rewards outweigh the risks. We have also made a small investment in the long steel product market in Shantung Province in China. Our joint venture

participation in the Xin Da Iron and Steel works will give us the potential to seek future opportunities in a market which has tremendous potential. The capital restructuring undertaken earlier this year which saw Fletcher Challenge Building available to the market, for the first time as a separate stock, is already delivering significant benefits. These include enhanced focus, discipline and motivation for employees, as well as choice for investors. We are excited by the opportunities that lie ahead of Fletcher Challenge Building, and are committed to delivering ongoing top quartile returns for our shareholders.

Tony McGeaghen  
Chief Executive

PAGE THREE



FLETCHER CHALLENGE BUILDING

THERE ARE **five areas of focus**  
FOR FUTURE PERFORMANCE IMPROVEMENT

The only thing that is certain is change and with change comes opportunity. For Carter Holt Harvey the challenge is to set new operating standards that enable us to maximise the potential this change brings. It's not just about production levels or physical assets, it's about capacity to produce real added value for our customers and shareholders. As we go forward, throughout Carter Holt Harvey, every decision, every operating process, every target set and every investment must be consistent with the philosophy of empowering our people to lead and make decisions that produce positive improvements on business results. This philosophy underpins a framework that links our future performance to five key areas. These areas under the 'Making it' umbrella provide us with the motivation and momentum to maximise every opportunity, improve our returns and our competitive strength. Our team is committed to making Carter Holt Harvey the safest and most efficient, innovative and customer focused forestry and wood products company in the southern hemisphere. This is how we are making it happen.

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